

CFTC Ex. 539

Long Leaf Trading Group

Gecas, Scott 2019-08-15

8/15/2019 10:15 AM

Condensed Transcript

Prepared by:

Ashley Burden
CFTC

Friday, November 5, 2021

<p style="text-align: right;">Page 1</p> <p>1 UNITED STATES OF AMERICA BEFORE THE 2 COMMODITY FUTURES TRADING COMMISSION 3 4 IN THE MATTER OF:)) 5 LONG LEAF TRADING GROUP, INC.) 6 7 8 9 10 11 The examination under oath of SCOTT GECAS, 12 taken pursuant to subpoena and the rules of the U.S. 13 Commodity Futures Trading Commission, reported by 14 Mary Maslowski, a Certified Shorthand Reporter and 15 Notary Public within and for the County of Cook and 16 State of Illinois, at 525 West Monroe Street, 11th 17 Floor, Chicago, Illinois, commencing at the hour of 18 10:15 o'clock on August 15, 2019. 19 20 21 22 23 24</p>	<p style="text-align: right;">Page 3</p> <p>1 INDEX 2 WITNESS EXAMINATION 3 SCOTT GECAS 4 By Mr. Burden 5, 21, 24, 32, 42, 51, 63, 67, 75, 116, 118, 5 141, 199, 205, 215 6 By Mr. Patrick 21, 23, 30, 40, 7 50, 62, 66, 74, 115, 117, 140, 8 190, 204, 207 9 10 EXHIBITS 11 CFTC EXHIBIT MARKED FOR ID 12 No. 23 7 13 No. 24 15 14 No. 25 26 15 No. 26 42 16 No. 27 76 17 No. 28 78 18 No. 29 82 19 No. 30 83 20 No. 31 89 21 No. 32 90 22 No. 33 94 23 No. 34 98 24 No. 35 100 No. 36 131 No. 37 148 No. 38 159 No. 39 162 No. 40 166</p>
<p style="text-align: right;">Page 2</p> <p>1 APPEARANCES: 2 3 MR. ASHLEY J. BURDEN, Senior Trial Attorney MS. ELIZABETH M. STREIT, Trial Team Leader MR. JOSEPH J. PATRICK, Investigator 4 U.S. COMMODITY FUTURES TRADING COMMISSION DIVISION OF ENFORCEMENT 5 525 West Monroe Street, Suite 1100 Chicago, Illinois 60661 6 (312) 596-0700 7 8 On behalf of the U.S. Commodity Futures Trading Commission. 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 CSR License No. 084-003278. 24</p>	<p style="text-align: right;">Page 4</p> <p>1 EXHIBITS (Cont'd.) 2 CFTC EXHIBIT MARKED FOR ID 3 No. 41 173 4 ** No. 42 181 No. 43 182 No. 44 185 5 No. 45 188 No. 46 190 6 No. 47 193 No. 48 215 7 No. 49 219 No. 50 222 8 No. 51 227 No. 52 234 9 No. 53 240 No. 54 243 10 11 12 13 14 15 16 ** NOTE: Exhibit No. 42 was an audio file which was not tendered for inclusion in the transcript. 17 18 19 20 21 22 23 24</p>

<p style="text-align: right;">Page 5</p> <p>1 SCOTT GECAS, 2 called as a witness herein, having been first duly 3 sworn, was examined and testified as follows: 4 EXAMINATION 5 BY MR. BURDEN: 6 Q All right. Mr. Gecas, I'm Ashley 7 Burden. This is my colleague, Joe Patrick and 8 Elizabeth Streit. We are officers of the Commission 9 for purposes of this proceeding. This is an 10 investigation by the United States Commodity Futures 11 Trading Commission in the matter of Long Leaf 12 Trading Group to determine whether there have been 13 violations of certain provisions of the Commodity 14 Exchange Act and regulations. However, the facts 15 developed in this investigation might constitute 16 violations of other federal or state civil or 17 criminal laws. 18 I'm handing you what I've marked 19 as CFTC Exhibit 1. This is the CFTC's Statement to 20 Persons Providing Information. Prior to the opening 21 of the record you were provided a copy of Exhibit 1 22 in connection with the subpoena you received. Have 23 you had an opportunity to review the Statement to 24 Persons?</p>	<p style="text-align: right;">Page 7</p> <p>1 for knowingly providing false testimony or knowingly 2 using false documents in connection with this 3 investigation? 4 A Yes. 5 Q Do you understand that you may assert your 6 rights under the Fifth Amendment to the Constitution 7 and refuse to answer any question which may tend to 8 incriminate you? 9 A Yes. 10 Q Do you wish to adjourn the testimony to 11 retain counsel at this time? 12 A No. 13 (Whereupon CFTC Exhibit No. 23 was 14 marked for identification, MM.) 15 Q All right. Mr. Gecas, I want to hand 16 you what I've marked as CFTC Exhibit 23. This is 17 a copy of the subpoena that you're appearing here 18 pursuant to today, correct? 19 A Yep, yes. 20 Q All right. Mr. Gecas, have you ever 21 given sworn testimony before? 22 A No. Well, I just got divorced. That's 23 about it. 24 Q Oh, I'm sorry to hear that. Were</p>
<p style="text-align: right;">Page 6</p> <p>1 A Yes. 2 Q Yeah? 3 A Yes. 4 Q All right. Do you have any questions 5 about it? 6 A No. 7 Q Mr. Gecas, are you represented by counsel? 8 A No. 9 Q Mr. Gecas, you have the right to be 10 accompanied, represented and advised by counsel. 11 This means that you may have an attorney present 12 and that your attorney can advise you before, during 13 and after your examination here today. Do you 14 understand this? 15 A Yes. 16 Q Since you're not represented by 17 counsel, there are certain matters discussed in 18 Exhibit No. 1, the Statement to Persons you have, 19 that I want to highlight for you. Do you understand 20 that upon your request these proceedings will be 21 adjourned so that you may obtain counsel? 22 A Yes. 23 Q Do you understand that the statutes set 24 forth in Exhibit No. 1 provide criminal penalties</p>	<p style="text-align: right;">Page 8</p> <p>1 you deposed in connection with the divorce? 2 A What do you mean? 3 Q Well, did you have to give testimony before 4 a court reporter like you are now? 5 A Yes. 6 Q All right. So let me familiarize you 7 with some of the rules of the road. So the first 8 thing is if I ask you a question, please respond 9 verbally with a yes or a no rather than shaking 10 or nodding your head. 11 A Okay. 12 Q Also, let's you and I please try 13 not to talk over each other because it muddies up 14 the record. We're already doing a little bit of 15 that and I think it's natural, but just relax and 16 try not to answer before I finish the question, 17 all right? 18 A Yes. 19 Q All right. I don't want to confuse 20 you with any points. So if I ask you a question 21 and you don't understand it I want you to say, 22 Ashley, I don't understand the question. Will you 23 do that? 24 A Yes.</p>

Page 9

1 Q All right. So let's talk a little bit
 2 about your personal background just very briefly.
 3 A Sure.
 4 Q Tell me about your education, if you
 5 would, please.
 6 A I have very light college education.
 7 I graduated high school, and I went to St. Mary's
 8 briefly.
 9 Q How briefly?
 10 A About a year.
 11 Q Any associate's degree?
 12 A No.
 13 Q Tell me about your professional
 14 background, please. Where did you work prior to
 15 Long Leaf Trading?
 16 A Several different place. What year do
 17 you want me to start?
 18 Q Why don't we just say what did you do
 19 immediately before joining Long Leaf?
 20 A I was working for Trading Advantage.
 21 Q What did Trading Advantage do?
 22 A They were an education firm.
 23 Q And what did they provide education with
 24 respect to?

Page 10

1 A Financial markets all across the board.
 2 Q Including commodities and futures?
 3 A In the beginning, yes.
 4 Q Do you hold any professional licenses,
 5 such as a Series 3?
 6 A Yes.
 7 Q What licenses do you hold, please.
 8 A Series 3.
 9 Q Any others?
 10 A No.
 11 Q And when did you obtain the Series 3?
 12 A June of '17, I believe.
 13 Q Have you ever traded options for your
 14 own account?
 15 A Yes.
 16 Q During what period, please.
 17 A I was a floor trader on the Chicago Board
 18 of Options.
 19 Q During what period?
 20 A 2000 to 2007, I believe.
 21 Q 2000 to 2007, correct?
 22 A Yes.
 23 Q And for whom were you trading?
 24 A It was Letco.

Page 11

1 Q How do you spell that, please.
 2 A L-e-t-c-o.
 3 Q So you were a floor trader at Letco
 4 from 2000 to 2007. Any other trading experience?
 5 A Yes. I traded off floor for Greenmoor
 6 Financial.
 7 Q How do you spell that, please.
 8 A G-r-e-e-n Financial.
 9 Q Oh, sorry. I thought you said Greenmoor.
 10 A Oh, Greenmoor. I'm sorry, yeah.
 11 Greenmoor, G-r-e-e-n-m-o-o-r, Financial.
 12 Q And during what period of time did you
 13 do that, please.
 14 A From 2007 to 2014.
 15 Q All right. And any other trading
 16 experience?
 17 A I traded from Simplex in 2014-15. Simplex
 18 Investments, I believe it was.
 19 Q And were you a floor trader for Simplex
 20 as well?
 21 A No, it was off floor.
 22 Q When you say off floor, you'll have
 23 to excuse my ignorance. What does that mean?
 24 A Onscreen, on the computer.

Page 12

1 Q So what did you do after 2015?
 2 A That's when I went to work for Trading
 3 Advantage.
 4 Q All right. During your time trading
 5 options, how did you do?
 6 A I was successful as a floor trader,
 7 I was successful at Greenmoor Financial, and I was
 8 breakeven at Simplex.
 9 Q So why did you decide to go into this
 10 trading education field?
 11 A In my trying to find another job with
 12 trading, prop firms no longer existed, which they
 13 still don't.
 14 Q All right. And that brings us I think
 15 up to the period of time when you worked at Long
 16 Leaf Trading, is that right?
 17 A In '17 I started with them.
 18 Q All right. So what month in '17, please.
 19 A June, I believe, June of '17.
 20 Q All right. And when did you stop working
 21 at Long Leaf Trading, please.
 22 A December of '18.
 23 Q All right. What was your role at Long
 24 Leaf Trading?

Page 13

1 A I was just a commodities broker in the
 2 beginning. The firm was sold to James Donelson, and
 3 then I was more or less a trade designer.
 4 Q So when did you start working as a trade
 5 designer?
 6 A I'm not sure of the exact date when the
 7 firm switched over to Jim Donelson.
 8 Q Can you remember, was it fall or winter?
 9 It doesn't have to be exact.
 10 A I think it was at the end of winter,
 11 I believe.
 12 Q So does the end of winter mean --
 13 A I think it was around January.
 14 Q I would have said that was the middle
 15 of winter.
 16 A Or middle of winter, sorry.
 17 Q So you think it was January '18 you
 18 started work as a trade designer?
 19 A Yeah.
 20 Q And did you continue in the role of trade
 21 designer until you left?
 22 A Until I left, yes.
 23 Q And where do you work now, please.
 24 A Walsh Trading.

Page 14

1 Q All right. And is that where you went
 2 after departing --
 3 A I went back to -- well, I went
 4 to Prosper Trading Academy for a short period
 5 of time.
 6 Q And from there to Walsh?
 7 A Yes.
 8 Q All right. So what I'd really
 9 like to talk about during the first part of the
 10 testimony is your work as a trade designer, as
 11 you described. But let's take a step back and
 12 pretend I don't know anything and just tell me what
 13 did Long Leaf Trading do? What's your elevator
 14 pitch for Long Leaf Trading, please.
 15 A Well, it's taking advantage of options
 16 in the commodity markets, discrepancies on options.
 17 Q All right. So would it be fair to say
 18 that Long Leaf Trading offered options transactions
 19 to retail investors?
 20 A Yes.
 21 Q What is Time Means Money? Is that a phrase
 22 that's familiar to you?
 23 A Yeah. I don't really -- I mean, that
 24 was a -- the Time Means Money program was developed

Page 15

1 by Tim Evans. He was the first owner that I worked
 2 with.
 3 Q So what was that?
 4 A It was taking advantage of time decay
 5 with options.
 6 Q And this Time Means Money, this
 7 was something that Long Leaf Trading offered to
 8 customers, is that right?
 9 A Yes.
 10 Q In your time as a broker for Long
 11 Leaf Trading, did you offer this Time Means Money
 12 program to investors?
 13 A Yes.
 14 Q What percentage of your customers
 15 when you were a broker were Time Means Money
 16 participants?
 17 A As far as I know, most of them. All
 18 of them I think. We did have some self-directed,
 19 but I had no contact with them.
 20 (Whereupon CFTC Exhibit No. 24 was
 21 marked for identification, MM.)
 22 Q Okay. Mr. Gecas, I want to hand you what
 23 I've marked as CFTC Exhibit 24. Do you recognize
 24 this document?

Page 16

1 A Yes.
 2 Q Can you tell me what it is, please.
 3 A It looks like their trade recommendations.
 4 Q All right. Do you see it says from Scott
 5 Gecas at the top?
 6 A Yes.
 7 Q And it says to finneganent@wwdb.org.
 8 Do you know who that is?
 9 A Yes.
 10 Q Who's that?
 11 A He was one of my clients.
 12 Q Do you remember his name?
 13 A Larry Finnegan, I believe.
 14 Q So you say this is a recommendation.
 15 What's it a recommendation for?
 16 A Based on the allocation, what the
 17 customer was okay with the risk, we recommend the
 18 trades and then we have to call them or email them
 19 and get their authorization to place the trade for
 20 them.
 21 Q All right. So this recommendation
 22 we see in Exhibit 24 is a recommendation that you
 23 would send out to customers?
 24 A Yes.

Page 17

1 Q Did every customer get the same
2 recommendation?
3 A Yes.
4 Q Who came up with the recommendations?
5 A In the beginning it was Tim Evans, and then
6 I was the trade designer.
7 Q All right. So you say you took over
8 as trade designer in December -- oh, sorry, in
9 January of 2018?
10 A January, I believe so, yes.
11 Q Was that after Tim Evans sold the business
12 to Jim Donelson?
13 A Yes.
14 Q All right. So let's just take a look --
15 A Well, to be clear, so how the transition
16 worked, Tim Evans did the recommendations. Jim
17 Donelson started doing the recommendations. He
18 outsourced those recommendations, which he wasn't
19 happy with, and then he asked -- he approached me
20 to do the recommendations.
21 Q Okay. Who did Mr. Donelson -- and
22 we'll come back to this -- but who did Mr. Donelson
23 outsource the recommendations to?
24 A I have no idea.

Page 18

1 Q All right. So let's just stick
2 with Exhibit 24 for the moment, if we could,
3 please. So you'll see it says Recommendation 1,
4 Recommendation 2, Recommendation 3 and
5 Recommendation 4, if you flip to the second page.
6 So why do we have four recommendations here? Does
7 the customer get to choose one? What's going on?
8 A Yes, the customer is always in control.
9 He can choose or pick what he wants to do. The Time
10 Means Money program was based on four trades per
11 month.
12 Q When you say the Time Means Money
13 program was based on four trades per month, what
14 do you mean?
15 A Four recommendations per month.
16 Q And is that every month during the time
17 that you worked at Long Leaf Trading?
18 A Correct.
19 Q All right. So are you recommending
20 in this email that's marked Exhibit 24 that the
21 customer take all four recommendations? Are you
22 recommending --
23 A Yes.
24 Q Describe to me how this works.

Page 19

1 A Yeah, so we send out the recommendations.
2 We recommend four trades per month and the customer
3 can choose to take one, to take four, whatever they
4 want to do. And then they respond back to either,
5 yes, I want to take all four or, no, I don't want to
6 take all four and I just want this, this and that.
7 Q All right. So turning again to Exhibit 24,
8 in these little tables you see Max Reward/Max Risk.
9 What does that mean?
10 A Based on the position, max reward
11 is the most that position can make. Max risk is the
12 most that the customer can lose.
13 Q And how is that determined?
14 A Just based on the width of the strikes.
15 Q And who determines that?
16 A It depends on if you're asking before
17 me or when I was doing it. Well, like pretty much
18 this is how it worked out. So the trade would be --
19 it would be designed and then it would be put into
20 some platform that would determine the risk and
21 reward. That was done by either Tim Evans or
22 Jim Donelson.
23 Q What was the name of that platform?
24 A QuikStrike.

Page 20

1 Q All right. So we're looking again
2 at Exhibit 4. You're sending this out to this
3 client Larry Finnegan, right?
4 A 24, yes.
5 Q What did I say?
6 A 4.
7 Q Oh, thank you.
8 A That's okay.
9 Q So how would you send out recommendations
10 to your clients at Long Leaf Trading?
11 A In an email. If they did not respond in
12 the email, we would give them a call.
13 Q Looking again at Exhibit 4 --
14 A 24.
15 Q Sorry, thank you, 24. You'll see
16 there's an offer price. Do you see that listed in
17 that table?
18 A Yes.
19 Q All right. So was there ever an
20 occasion where Long Leaf Trading didn't get that
21 offer price?
22 A It was or better. So, yes, there
23 is an occasion -- there were several occasions that
24 we had better prices.

Page 21

1 Q What about worse prices?
 2 A No, not to my knowledge at least.
 3 EXAMINATION
 4 BY MR. PATRICK:
 5 Q Were there times that you weren't able
 6 to get that price or better?
 7 A Yes.
 8 Q What happened to those trades?
 9 A Nothing. They weren't executed.
 10 Q So they just wouldn't be executed?
 11 A (Shaking head).
 12 MS. STREIT: Is that a yes?
 13 A Yes.
 14 BY MR. PATRICK:
 15 Q How often did it happen that you would
 16 put a trade on for a customer at an or better price
 17 and it didn't get executed?
 18 A Not very often.
 19 Q So would you say most of your trade
 20 entries were executed?
 21 A Within that price limit, yes.
 22 FURTHER EXAMINATION
 23 BY MR. BURDEN:
 24 Q So I'm sorry. I think there must have

Page 22

1 been some disconnect. So what I meant to --
 2 what I was asking you is were there times when
 3 Long Leaf Trading was not able to get an execution
 4 at the offer price listed in the recommendation?
 5 A Yes.
 6 Q Okay. What happened then?
 7 A Nothing. The trade was not executed.
 8 Q But the customer had presumably agreed
 9 to do that trade, correct?
 10 A Correct.
 11 Q So was the trade just not done for the
 12 customer?
 13 A If it was above the offer price, correct.
 14 Q Well, wouldn't the customer be disappointed
 15 or left out from the trades recommendation that he
 16 or she thought they were agreeing to?
 17 A I don't know how their feelings would
 18 be with that but, yes, they would be left out of
 19 that trade.
 20 Q So would you ever call the customer and
 21 say we --
 22 A We missed the price, yes.
 23 Q So you did that?
 24 A Yes.

Page 23

1 Q What did they say?
 2 A Okay.
 3 Q Do you remember the names of any of those
 4 customers?
 5 A No, that didn't happen very often.
 6 FURTHER EXAMINATION
 7 BY MR. PATRICK:
 8 Q Would the firm then choose to enter in the
 9 trade at a different price?
 10 A If it was within the limits, yes, but never
 11 above the limit.
 12 Q So the limit would have never --
 13 A Exceeded.
 14 Q -- exceeded or adjusted. So a new trade
 15 is put in at an adjusted or better price?
 16 A Or better it would be less than the, right,
 17 price.
 18 Q Right.
 19 A So we have gotten filled or better,
 20 meaning a lower cost of entry, but we never exceeded
 21 the cost of entry that was recommended.
 22 Q Okay. I'm thinking about a situation
 23 where, you know, you offer the trade to the client.
 24 The client says proceed. You put in the trade at

Page 24

1 an or better price, doesn't execute because the
 2 market's not at that price. So you go back to the
 3 customer and do you ever say to the customer, well,
 4 we might be able to get this trade done if we adjust
 5 the price, move it up or down depending on what
 6 direction, and see if you can get executed there?
 7 A Not that I recall. That wouldn't make
 8 sense to me.
 9 Q And why not?
 10 A Because if we're within their risk
 11 limits, we have to stay within their risk limits.
 12 We wouldn't exceed their risk limits.
 13 FURTHER EXAMINATION
 14 BY MR. BURDEN:
 15 Q So, Mr. Gecas, we're looking again at
 16 Exhibit 24 here. When these trades were entered for
 17 customers, how do you know when to exit the trades
 18 on behalf of the customer?
 19 A It depends on the customer. We would
 20 tell them that target prices are anywhere between
 21 25 percent to 50 percent of that position.
 22 Q And at that point would Long Leaf Trading
 23 get out of the trade on behalf of the client?
 24 A If it hit the targeted price, yes.

Page 25

1 Q What if it didn't?

2 A Then nothing. We couldn't get out of it.

3 Q What I'm asking is would you let the

4 options expire?

5 A On occasion, yes.

6 Q So we're looking here at Exhibit 24.

7 This is a trade recommendation that you made to

8 customers, correct?

9 A Correct.

10 Q And were there customers that accepted

11 this trade recommendation?

12 A Yes.

13 Q All right. So how did you gain

14 approval from the customer to exit this trade

15 when it came time to take a profit or a loss, as

16 the case may be?

17 A It would either be a phone call or an

18 email. More often than not, it would be a phone

19 call.

20 Q And would you always seek customer

21 approval through a phone call before exiting the

22 trade?

23 A Yes.

24 Q And who told you to do that?

Page 26

1 A Either Tim Evans or Jim Donelson.

2 Q All right. So I think we've finished

3 with this exhibit for the time being. When we're

4 finished with an exhibit, you can just put them in

5 the middle of the table because our court reporter,

6 Ms. Maslowski, will take them with her and make them

7 part of the record.

8 (Whereupon CFTC Exhibit No. 25 was

9 marked for identification, MM.)

10 Q All right. Mr. Gecas, I want to

11 hand you what I've marked as CFTC Exhibit 25. Do

12 you recognize this document?

13 A Yes.

14 Q Can you tell me what it is, please.

15 A A trade recommendation.

16 Q All right. Is this a trade

17 recommendation that you sent to a customer at

18 Long Leaf Trading?

19 A Yes.

20 Q All right. So I want to direct

21 your attention to the bottom of that first page,

22 and you'll see there are two fields here that says

23 Target Gain and Target Max Loss. Do you see that?

24 A Yes.

Page 27

1 Q So what does that mean, target gain?

2 A That means if -- depending on the

3 number of contracts, we would exit the order at the

4 targeted gain or the targeted loss.

5 Q Who determined the target gain and the

6 target max loss?

7 A Jim Donelson.

8 Q All right. So is this a field that

9 was included in recommendations when Jim Donelson

10 was in charge of Long Leaf?

11 A Yes.

12 Q Was this target gain and target

13 max loss, was this something that was included in

14 recommendations during Mr. Evans' tenure?

15 A No.

16 Q So do you know how Mr. Donelson

17 determined the target gain and the target max

18 loss?

19 A Through QuikStrike, to my knowledge.

20 Q How do you know that?

21 A That's what he told me he was using,

22 QuikStrike.

23 Q So why is there a target gain and a

24 target max loss? It seems like there's a max gain.

Page 28

1 Do you see that?

2 A Yes.

3 Q It seems like what you want is the

4 max gain, and it seems like you don't want to have

5 a loss.

6 A Right.

7 Q So what's this target gain and target max

8 loss? Why even put this in here?

9 A Well, target gain was for customers

10 that had more than one contract that we would exit

11 out of partial positions and let the last piece run

12 to try to get the max gain. Targeted loss was --

13 that was our loss that we were -- either that's the

14 width of the strikes where that would be worst case

15 scenario.

16 Q So help me figure this out. So let's

17 look at -- we've got max gain in Exhibit 25. Do you

18 see that?

19 A Yes.

20 Q So what's the max gain there?

21 A Max gain is 1348.40.

22 Q All right. So you see the target gain,

23 right?

24 A Yes.

Page 29

1 Q What's the target gain here?
 2 A Target gain is 1,011.30.
 3 Q All right. So I don't understand
 4 this. Why is the target gain less than the max
 5 gain?
 6 A Because the target gain was the
 7 target that Jim Donelson determined to take off
 8 partial positions, so we can capture some gain in
 9 that position.
 10 Q All right. Let's take a look at the max
 11 loss. What's the max loss for this recommendation
 12 here?
 13 A The max loss, because it's a debit,
 14 would be the price that we paid. That's how much
 15 it cost to get into the spread.
 16 Q And how much is that in Exhibit 25 here?
 17 A 438.26.
 18 Q I'm not looking at the target loss.
 19 I'm looking at the max loss in that third column
 20 from the left. Do you see Max Gain and Max Loss,
 21 right?
 22 A Max loss is 674.20.
 23 Q All right. And what does that represent,
 24 please.

Page 30

1 A If the options had to expire worthless.
 2 Q All right. So let's take a look at
 3 our target max loss. What's the target max loss?
 4 A Target max loss is 438.26.
 5 Q So why are those different?
 6 A Because if we could take a partial
 7 loss and not a full loss, that would be in the best
 8 interests of the customer.
 9 FURTHER EXAMINATION
 10 BY MR. PATRICK:
 11 Q So in that circumstance is what you're
 12 saying that at some point prior to expiration you
 13 would take the client that is in that position out
 14 of the position?
 15 A If it hit that negative number, yes.
 16 Q And that's a target that's predetermined
 17 or preset before the trade's executed?
 18 A Yes.
 19 Q And who monitors those targets for the
 20 firm at the time that you were there?
 21 A Tim Evans and Jim Donelson.
 22 Q And so when the market reached one of those
 23 targets, what would happen then?
 24 A They would try to exit the position.

Page 31

1 Q And is that the point then, they would
 2 look to you for your clients and the other salesmen
 3 for their clients to reach out to those clients and
 4 get authorization to exit those positions?
 5 A Well, with the targeted gains and
 6 losses when the trade went out, the customers were
 7 agreeing to those targets and exits as well as the
 8 entry.
 9 Q Okay. Because I thought you had
 10 testified earlier that you had gotten approval for
 11 all exits of positions, to your knowledge.
 12 A Right, and through this email.
 13 Q So some of the approvals that you received
 14 to exit positions were --
 15 A On the initial --
 16 Q -- on the initial trade on the in
 17 to the trade?
 18 A Yes.
 19 Q And was that a policy-wide --
 20 A Yes, that was a policy-wide when Jim
 21 Donelson came on. And that was to remove the time
 22 aspect of getting ahold of customers so that they
 23 can exit in a timely manner.
 24

Page 32

1 FURTHER EXAMINATION
 2 BY MR. BURDEN:
 3 Q All right. So looking at Exhibit 25, where
 4 are we seeing the permission to exit?
 5 A Where it says Trade Approval, good til
 6 cancel, and then the max target and the max loss.
 7 When they agree to their trade recommendation, they
 8 are also agreeing to the gains and losses as well.
 9 Q All right. And this was something
 10 that -- and if you look, actually, below this,
 11 you'll see it says Exit: 15 OB Good until Cancel,
 12 which I guess is that target max loss as well,
 13 is that right?
 14 A Yes.
 15 Q All right. So you said that this
 16 practice of getting permission to exit a particular
 17 price was instituted by Jim Donelson, is that
 18 correct?
 19 A Yes.
 20 Q And approximately when did Mr. Donelson
 21 institute this?
 22 A Sometime when he took control of the firm
 23 in I believe it was January.
 24 Q Did he explain to you why he wanted

<p style="text-align: right;">Page 33</p> <p>1 to do this?</p> <p>2 A Yes.</p> <p>3 Q Why did he say?</p> <p>4 A To remove the time aspect of getting</p> <p>5 ahold of customers. Some customers wouldn't be</p> <p>6 able to be getting ahold of and they would not be</p> <p>7 able to take advantage of the gain.</p> <p>8 Q So looking again at Exhibit 25,</p> <p>9 if you look at the very top of the email, it</p> <p>10 looks like you forwarded this trade recommendation</p> <p>11 to compliance, is that right?</p> <p>12 A Yes.</p> <p>13 Q Who's compliance?</p> <p>14 A I have no idea.</p> <p>15 Q Okay. Why did you forward it to</p> <p>16 compliance?</p> <p>17 A That was Jim Donelson's practice. That's</p> <p>18 what he told us to do.</p> <p>19 Q But you don't know who compliance was?</p> <p>20 A No.</p> <p>21 Q Did anybody from compliance ever come</p> <p>22 and talk to you about anything?</p> <p>23 A I don't believe we ever had a compliance</p> <p>24 person.</p>	<p style="text-align: right;">Page 35</p> <p>1 says.</p> <p>2 A It looks like it's one contract --</p> <p>3 or, no, it's Recommendation 1. It says that we</p> <p>4 recommend a total of zero contracts, which I don't</p> <p>5 understand that.</p> <p>6 Q Yeah. Why would it say zero contracts?</p> <p>7 A I have no idea.</p> <p>8 Q All right. Let's look back at</p> <p>9 Exhibit 24, if we could, please. Pull it out</p> <p>10 of that pile. Thank you. So we're looking at</p> <p>11 Exhibit 24 here and this is a recommendation you</p> <p>12 sent to a customer, Larry Finnegan, correct?</p> <p>13 A Correct.</p> <p>14 Q All right. So how many contracts</p> <p>15 here are you recommending that Mr. Finnegan enter</p> <p>16 into?</p> <p>17 A I don't believe it says.</p> <p>18 Q So how would you know how many contracts</p> <p>19 to put Mr. Finnegan in?</p> <p>20 A Jim Donelson would send us an</p> <p>21 allocation per customer, each individual customer</p> <p>22 with the trade recommended number of contracts.</p> <p>23 Q And would he do that before the</p> <p>24 recommendation went out?</p>
<p style="text-align: right;">Page 34</p> <p>1 Q So whose email address is that?</p> <p>2 A Compliance?</p> <p>3 Q Yeah.</p> <p>4 A It's something Jim made up, Jim Donelson</p> <p>5 made up.</p> <p>6 Q All right. When you say it's something</p> <p>7 Jim Donelson made up, what do you mean by that?</p> <p>8 A That's how he instilled the whole</p> <p>9 process of getting permission from the clients.</p> <p>10 And when they responded yes, he said forward that</p> <p>11 to compliance.</p> <p>12 Q Got it. So looking again at</p> <p>13 Exhibit 25, so this is being sent to a client</p> <p>14 whose email address is dhmuters@gmail.com. Do you</p> <p>15 know who this customer is?</p> <p>16 A Darlene Muters, I believe.</p> <p>17 Q All right. And this was a customer</p> <p>18 of yours?</p> <p>19 A I believe so.</p> <p>20 Q All right. So how many contracts</p> <p>21 are being recommended here for this customer?</p> <p>22 A I don't recall offhand.</p> <p>23 Q Well, just take a look at the email,</p> <p>24 if you would, please, and let me know what it</p>	<p style="text-align: right;">Page 36</p> <p>1 A Yes.</p> <p>2 Q Did the customers know how many contracts</p> <p>3 they were going to be put in?</p> <p>4 A Yes.</p> <p>5 Q How did they know?</p> <p>6 A Either through the recommendations</p> <p>7 or through the initial account orientation when</p> <p>8 they first came on.</p> <p>9 Q All right. So you said the customer's</p> <p>10 going to know how many contracts they're in because</p> <p>11 of, one, the recommendation?</p> <p>12 A Yeah. Sometimes the recommendations</p> <p>13 would go out and say the exact number of contracts.</p> <p>14 Sometimes they wouldn't.</p> <p>15 Q Okay. So when did the recommendations</p> <p>16 start saying the number of contracts that were being</p> <p>17 recommended?</p> <p>18 A I don't recall.</p> <p>19 Q Was that during Mr. Evans' tenure,</p> <p>20 Mr. Donelson's tenure?</p> <p>21 A Both would send out allocation numbers to</p> <p>22 each individual broker of their registered clients</p> <p>23 that they were dealing with.</p> <p>24 Q Well, so we're looking at Exhibit 24</p>

Page 37

1 and I don't see any number of contracts here,
 2 do you?
 3 A I don't.
 4 Q And I'll tell you this. I have
 5 looked at all of these, and at least for many of
 6 them I don't see any contracts, numbers of contracts
 7 that are recommended. Is that consistent with your
 8 recollection?
 9 A Yes.
 10 Q So how are customers supposed to know
 11 from the recommendations how many contracts they're
 12 going to be in?
 13 A In the initial call -- or the initial
 14 orientation when they first signed up, they were
 15 told about the risks involved as well as they had
 16 a rule of thumb about I think it was \$10,000 per one
 17 contract. But the customers could also increase or
 18 decrease, whatever they needed.
 19 Q So did you have these orientation calls
 20 with customers?
 21 A Yes.
 22 Q Did you tell them that they were going
 23 to be put in one contract for every \$10,000 they
 24 had in their account?

Page 38

1 A Yes.
 2 Q Did you know that all your calls were
 3 being recorded?
 4 A I was told -- under Tim Evans they were.
 5 Under Jim Donelson they were not.
 6 Q Okay. Who told you that?
 7 A Jim Donelson.
 8 Q So I've listened to a lot of your
 9 calls, and I did not hear any discussion of you
 10 telling customers that they would be placed into
 11 one contract for every \$10,000 in their account.
 12 Maybe I missed it. But is that surprising to you?
 13 A Well, it depends. I mean, the initial
 14 to get them in, they would either agree to it or
 15 not, but we never discussed number of contracts
 16 until they were approved. Once they were approved,
 17 once the money was sent, then that was the
 18 orientation call where we would tell them one
 19 contract per 10,000.
 20 Q And how did they know how much
 21 money they had in their contract over time? I mean,
 22 of course they knew when they made their initial
 23 deposit, right?
 24 A Right.

Page 39

1 Q They know how much they're putting in,
 2 right?
 3 A Right.
 4 Q But that number would change over time,
 5 wouldn't it?
 6 A Yes.
 7 Q So how would they know how many
 8 contracts they were being entered into, say, six
 9 months into the program?
 10 A It was still determined by what they
 11 had in their account, regardless if the account
 12 went up or down. If the account went down below
 13 that 10,000, they would stay with one contract.
 14 If it was below 20,000, they would go from two to
 15 one contract.
 16 Q And would you advise them of this?
 17 A Yeah.
 18 Q How would you advise them?
 19 A Either through the email or on a phone
 20 call.
 21 Q And did you advise every client if
 22 their account changed in the number of contracts --
 23 let me rephrase that. If the client's account
 24 balance changed such that the number of contracts

Page 40

1 they were going to be entered into was different
 2 than when they started, would you advise the client
 3 of that?
 4 A Yes.
 5 Q Did you do that every time?
 6 A I don't recall. I believe so, but I don't
 7 recall every time.
 8 FURTHER EXAMINATION
 9 BY MR. PATRICK:
 10 Q When you sent emails to customers
 11 requesting approval for a particular trade or
 12 set of trades, at that time did you let them know
 13 how many contracts they would be trading?
 14 A Through the email -- the emails were
 15 forwarded to me to send, so I did not write the
 16 email. Jim Donelson wrote the email, and that's
 17 what was our practice.
 18 Q Before you sent it did you say, hey,
 19 just to let you know --
 20 A He would give us the allocation, so the
 21 allocation would change based on that.
 22 Q So when you say allocation, do you
 23 mean like the number of contracts that particular
 24 client would be engaging in for that trade?

<p style="text-align: right;">Page 41</p> <p>1 A Yes.</p> <p>2 Q And so Mr. Donelson would make that</p> <p>3 determination for each customer?</p> <p>4 A Yes.</p> <p>5 Q Do you know what Mr. Donelson used to</p> <p>6 make that determination?</p> <p>7 A I do not.</p> <p>8 Q Did he ever tell you he had some sort</p> <p>9 of a, you know, worksheet or a program, a computer</p> <p>10 program?</p> <p>11 A He said he had some type of program.</p> <p>12 I didn't really get to see it, and I never got any</p> <p>13 information on any of that.</p> <p>14 Q What did he say about this program?</p> <p>15 A He just said it's something I built on</p> <p>16 an Excel spreadsheet. That's the only information</p> <p>17 I ever got on that.</p> <p>18 Q So your understanding was Mr. Donelson</p> <p>19 was using this spreadsheet to determine what number</p> <p>20 of contracts each of Long Leaf's customers would be</p> <p>21 trading, participating in that --</p> <p>22 A Yes.</p> <p>23 Q -- particular trade or set of trades?</p> <p>24 A Yes.</p>	<p style="text-align: right;">Page 43</p> <p>1 Trade Summary 3 contracts, Trade Summary 5 contracts</p> <p>2 and a Trade Summary 10 contracts. Do you see that?</p> <p>3 A Yes.</p> <p>4 Q So do you know what's going on here?</p> <p>5 A Yes. It's the allocation number for</p> <p>6 the client of one contract, five contracts, whatever</p> <p>7 the contract number says.</p> <p>8 Q So Mr. Donelson would determine</p> <p>9 how many contracts each customer was going to be</p> <p>10 entered into, correct?</p> <p>11 A Correct.</p> <p>12 Q And he would send these recommendations</p> <p>13 to you and the other brokers, correct?</p> <p>14 A Correct.</p> <p>15 Q And you would then send them to your</p> <p>16 clients, right?</p> <p>17 A Correct.</p> <p>18 Q And so if the client had ten grand in</p> <p>19 his account, he'd get the recommendation for one</p> <p>20 contract, correct?</p> <p>21 A Correct.</p> <p>22 Q If he had 20 grand, he'd get the</p> <p>23 recommendation for two contracts, correct?</p> <p>24 A Correct.</p>
<p style="text-align: right;">Page 42</p> <p>1 (Whereupon CFTC Exhibit No. 26 was</p> <p>2 marked for identification, MM.)</p> <p>3 FURTHER EXAMINATION</p> <p>4 BY MR. BURDEN:</p> <p>5 Q All right. Mr. Gecas, I'm handing</p> <p>6 you what I've marked as CFTC Exhibit 26. Do you</p> <p>7 recognize this document?</p> <p>8 A The top I do not. I do not recommend</p> <p>9 Mid Month Trade Summary.</p> <p>10 Q So look at the attachments to this</p> <p>11 email and tell me if you recognize those, please.</p> <p>12 A Okay, yes. The one headline, yes, I do.</p> <p>13 Q All right. Can you tell me what that is,</p> <p>14 please.</p> <p>15 A It looks like it's a trade recommendation.</p> <p>16 Q All right. So if you're looking</p> <p>17 at Exhibit 26, you'll see that it's an email to</p> <p>18 you from Mr. Donelson dated April 9, 2018.</p> <p>19 A Correct.</p> <p>20 Q And it's got a bunch of attachments.</p> <p>21 Do you see those listed on the cover email?</p> <p>22 A Okay, yes.</p> <p>23 Q So it looks like we've got a Trade</p> <p>24 Summary 1 contract, a Trade Summary 2 contracts,</p>	<p style="text-align: right;">Page 44</p> <p>1 Q And if he or she had \$100,000 in their</p> <p>2 account, they'd probably get the ten-contract</p> <p>3 recommendation, right?</p> <p>4 A Correct.</p> <p>5 Q All right. So I want to talk a little</p> <p>6 bit about how the trades at Long Leaf were actually</p> <p>7 entered. So I think your testimony is that you</p> <p>8 would send out these recommendations to customers</p> <p>9 and if they accepted the recommendations, they would</p> <p>10 write you back, correct?</p> <p>11 A An email or a phone call, yes.</p> <p>12 Q All right. So let's say a customer</p> <p>13 wants to take your recommendation. What would</p> <p>14 happen next? What do you do next?</p> <p>15 A We would fill out an order ticket,</p> <p>16 time stamp it, and I would hand it to either Tim</p> <p>17 Evans or Jim Donelson.</p> <p>18 Q What would Tim Evans or Jim Donelson</p> <p>19 then do?</p> <p>20 A Execute the trades.</p> <p>21 Q All right. Did you ever execute any</p> <p>22 trades on behalf of Long Leaf customers?</p> <p>23 A On occasion when we were with Gain</p> <p>24 Financial, I did have to call the order desk.</p>

<p style="text-align: right;">Page 45</p> <p>1 Q And how many times did that happen?</p> <p>2 A Not very often.</p> <p>3 Q Did it ever occur -- and if you don't</p> <p>4 know, you should say. Did it ever occur that trades</p> <p>5 were executed at different prices?</p> <p>6 A If it was under the limit, yeah.</p> <p>7 Q What happened if trades were</p> <p>8 executed at different prices? How were those</p> <p>9 prices allocated among the various customers, if you</p> <p>10 know?</p> <p>11 A I do not know.</p> <p>12 Q All right. I think you testified</p> <p>13 before that you -- or I should rephrase it and say</p> <p>14 you testified before that in approximately January</p> <p>15 of 2018 you began working for Long Leaf Trading as</p> <p>16 a trade designer, is that right?</p> <p>17 A Yes.</p> <p>18 Q Did you continue working as a broker?</p> <p>19 A Yes.</p> <p>20 Q So let's talk about -- I want to learn</p> <p>21 how these trades were designed. So if you would,</p> <p>22 please, give me a broad overview.</p> <p>23 A That's more -- well, okay. So when</p> <p>24 Tim Evans came on -- or when he brought me on,</p>	<p style="text-align: right;">Page 47</p> <p>1 that he had a proven track record that these</p> <p>2 spreads made money?</p> <p>3 A That's what he said, but I've never seen</p> <p>4 a track record.</p> <p>5 Q Did you ask to see a track record?</p> <p>6 A No.</p> <p>7 Q So why not?</p> <p>8 A At that point I was new in the</p> <p>9 business, on the broker side at least, and</p> <p>10 he's been in business for a lot longer than I have.</p> <p>11 So I had no reason not to trust him.</p> <p>12 Q Well, I want to push you on this</p> <p>13 a little bit because I think you just testified</p> <p>14 that you felt that these credit spreads were not</p> <p>15 a good way to make money, correct?</p> <p>16 A Based on my -- well, based on that type</p> <p>17 of market condition, yes.</p> <p>18 Q So he's telling you, Mr. Evans is telling</p> <p>19 you that he's done well and he's got a good track</p> <p>20 record. He told you that, right?</p> <p>21 A Yes.</p> <p>22 Q So it sounds like you had reason</p> <p>23 to think that maybe he was wrong, is that fair</p> <p>24 to say?</p>
<p style="text-align: right;">Page 46</p> <p>1 you know, the first thing I asked him is, well,</p> <p>2 how do they do and he said that they've done very</p> <p>3 well. They've had bad months and good months, but</p> <p>4 overall they did fairly well. However, they were</p> <p>5 only doing credit spreads and iron condors and</p> <p>6 broken wing -- or not broken wing but butterflies,</p> <p>7 credit spreads, collecting money, which I did not</p> <p>8 agree with.</p> <p>9 Q Why?</p> <p>10 A I just think the risk or the probability</p> <p>11 of credit spreads and stuff like that -- or those</p> <p>12 types of spreads were not high probability trades.</p> <p>13 Q What do you mean by that, high probability</p> <p>14 trades?</p> <p>15 A For them to actually be profitable.</p> <p>16 Q Did you tell Mr. Evans this?</p> <p>17 A Yes.</p> <p>18 Q When did you tell him that?</p> <p>19 A Right away.</p> <p>20 Q What did he say in response?</p> <p>21 A Well, I have a proven track record that</p> <p>22 this does work.</p> <p>23 Q So let's talk about that. This proven</p> <p>24 track record, that's what Mr. Evans said to you,</p>	<p style="text-align: right;">Page 48</p> <p>1 A Yes.</p> <p>2 Q What did you do to check into that?</p> <p>3 A I just had to wait for the trades to play</p> <p>4 out to see what was going to happen.</p> <p>5 Q What happened?</p> <p>6 A And Tim Evans, he's had good months and</p> <p>7 he's had bad months.</p> <p>8 Q So during the time that you were</p> <p>9 at Long Leaf Trading, did customers lose money or</p> <p>10 did they make money overall?</p> <p>11 A On a monthly basis it was mixed.</p> <p>12 Overall under Tim Evans, I believe there were</p> <p>13 losses.</p> <p>14 Q What about during Mr. Donelson's tenure?</p> <p>15 A It was all over the place. Customers</p> <p>16 that were inherited, you know, they had good months</p> <p>17 and bad months.</p> <p>18 Q But overall --</p> <p>19 A Overall I believe there were losses.</p> <p>20 Q You mean across the board?</p> <p>21 A No, not across the board. I mean,</p> <p>22 they had some accounts that were -- like I said,</p> <p>23 the inherited accounts were all over the place,</p> <p>24 you know. I wasn't aware what they started with</p>

<p style="text-align: right;">Page 49</p> <p>1 or, you know, where they were but --</p> <p>2 Q We're going to come back to this, as</p> <p>3 you might imagine, but let's stick for the moment</p> <p>4 on how these trade recommendations are developed.</p> <p>5 So you testified that Mr. Evans was putting together</p> <p>6 these credit spreads, is that right?</p> <p>7 A Yes.</p> <p>8 Q How did he design these credit spreads?</p> <p>9 A No idea.</p> <p>10 Q Did you ever ask him?</p> <p>11 A No.</p> <p>12 Q Did you ever ask to see trading results</p> <p>13 for Long Leaf Trading's customers firmwide?</p> <p>14 A No.</p> <p>15 Q Why not?</p> <p>16 A I don't know. I don't know why</p> <p>17 I didn't. I mean, I just trusted Tim Evans as</p> <p>18 far as, I mean, he was the owner. He's been in</p> <p>19 business for a long time. There was no reason for</p> <p>20 me not to trust him.</p> <p>21 Q All right. So let's talk about when</p> <p>22 you started designing trades in January of 2018.</p> <p>23 How did you design trades for Long Leaf Trading</p> <p>24 customers?</p>	<p style="text-align: right;">Page 51</p> <p>1 A Well, a three -- well, I don't know</p> <p>2 how to explain this. We did do three-legged spreads</p> <p>3 as like a butterfly, so there were three strikes.</p> <p>4 But it was one contract would equal one -- it would</p> <p>5 equal four contracts.</p> <p>6 Q So it might be, you know, two longs and</p> <p>7 then a short of two contracts?</p> <p>8 A Yes, or some -- yeah. I mean --</p> <p>9 Q Some derivative of that?</p> <p>10 A Yes.</p> <p>11 FURTHER EXAMINATION</p> <p>12 BY MR. BURDEN:</p> <p>13 Q So it sounds like you wanted to design</p> <p>14 trades to have less than four legs and Mr. Donelson</p> <p>15 said, no, we do four-legged trades, is that right?</p> <p>16 A Yes.</p> <p>17 Q So why did you initially want to</p> <p>18 design them such that they had -- I don't know.</p> <p>19 How many legs did they have? If you got to design</p> <p>20 whatever trades you wanted, what would it look like</p> <p>21 for Long Leaf Trading?</p> <p>22 A Well, I didn't get the chance to do</p> <p>23 whatever I wanted.</p> <p>24 Q Okay. Well, the first trade that</p>
<p style="text-align: right;">Page 50</p> <p>1 A I would use debit spreads because</p> <p>2 they were a lot less riskier than credit spreads,</p> <p>3 but I was also told to design them, that they had to</p> <p>4 be four-legged spreads.</p> <p>5 Q Who told you that you have to design them</p> <p>6 to be four-legged spreads?</p> <p>7 A Jim Donelson.</p> <p>8 Q Did he explain to you why they have to</p> <p>9 be four-legged spreads?</p> <p>10 A No.</p> <p>11 Q Did you ask him?</p> <p>12 A Well, I did ask and he said, well, that's</p> <p>13 just what we are doing.</p> <p>14 Q But did you ask him why that's what Long</p> <p>15 Leaf Trading was doing?</p> <p>16 A And that was his response.</p> <p>17 FURTHER EXAMINATION</p> <p>18 BY MR. PATRICK:</p> <p>19 Q Was every trade recommendation four legged?</p> <p>20 A Yes.</p> <p>21 Q So there were never any positions</p> <p>22 that you recall that were put on that might have</p> <p>23 been three legged or something less than a four-leg</p> <p>24 spread?</p>	<p style="text-align: right;">Page 52</p> <p>1 you designed for Mr. Donelson, what did it look</p> <p>2 like?</p> <p>3 A I have no idea what the first trade</p> <p>4 I designed. I know it was four legs. It was</p> <p>5 either a broken wing butterfly with a directional</p> <p>6 bias or it was a double calendar. I mean, there's</p> <p>7 a lot of different things that you can do.</p> <p>8 Q So how did you wind up with this job for</p> <p>9 Mr. Donelson designing trades?</p> <p>10 A I was the only one in the office that had</p> <p>11 any knowledge about options.</p> <p>12 Q Can you expound on that? What do</p> <p>13 you mean, the only person who had any knowledge</p> <p>14 of options?</p> <p>15 A When I came on with Tim Evans,</p> <p>16 he had very little option experience. The brokers</p> <p>17 that were there when I was there had zero option</p> <p>18 experience. And then when Jim Donelson came on,</p> <p>19 he hired younger kids out of college that had zero</p> <p>20 market experience or option experience, and Jim</p> <p>21 Donelson didn't have any option experience either.</p> <p>22 MR. PATRICK: So you're including Jim</p> <p>23 Donelson in that? You're saying that Jim --</p> <p>24 THE WITNESS: Correct.</p>

<p style="text-align: right;">Page 53</p> <p>1 MR. PATRICK: -- did not have options 2 knowledge either? 3 THE WITNESS: Correct. 4 BY MR. BURDEN: 5 Q So you were really the only guy at Long 6 Leaf Trading who knew anything about options? 7 A More or less. 8 Q So I think you testified before 9 that Mr. Donelson initially tried to outsource the 10 recommendation, is that right? 11 A Yes. 12 Q But after that he turned to you, correct? 13 A Correct. 14 Q And you agreed to design trades? 15 A Yes. 16 MR. PATRICK: Were the trades that 17 the outsourced firm, were they similar to the 18 trades that you guys were recommending after you 19 no longer used to do the outsource service? 20 THE WITNESS: No, they were -- continued 21 to be credit spreads like Tim Evans did. 22 BY MR. BURDEN: 23 Q So I want to explore this a little 24 bit more. So your testimony is that all Tim Evans'</p>	<p style="text-align: right;">Page 55</p> <p>1 A The credit spreads that he was 2 using were bracketing markets, meaning that he was 3 implying that the market would stay in a certain 4 range. 5 Q And if it didn't, what would happen? 6 A The customer would lose money. The credit 7 spread would not work. 8 Q Did you share these concerns with 9 Mr. Evans? 10 A Yes. 11 Q And how did he respond? 12 A I've made money doing this. 13 Q And when did you share these concerns 14 with Mr. Evans? 15 A Probably within the first three 16 months that I was there. I mean, I didn't have 17 any experience with any of that, so I was very shy 18 in all of that and I was the new guy there as well. 19 Q So you didn't sort of push Mr. Evans on 20 it because you were new at the job and didn't want 21 to antagonize him? 22 A Yes, yes. 23 Q When you talked to customers -- I should 24 ask you first. Did you talk to customers on the</p>
<p style="text-align: right;">Page 54</p> <p>1 recommendations were credit spreads, is that right? 2 A To my knowledge, yes. 3 Q All right. And when you took over 4 designing trades, you made them debit spreads, 5 is that right? 6 A Correct. 7 Q So why did you not want to do credit 8 spreads? 9 A No. 1, I didn't like the risk involved 10 in credit spreads. I didn't like the probability, 11 No. 2. 12 Q All right. So I want to expound 13 on that a little bit. When you say you didn't 14 like the risk inherent in credit spreads, what do 15 you mean by that? 16 A When you -- are you familiar with credit 17 spreads? 18 Q Yeah. 19 A Okay. So normal credit spreads are 20 collecting premium and risking more than the premium 21 you're collecting. 22 Q When you say that you don't like 23 the probability of credit spreads, what do you 24 mean by that?</p>	<p style="text-align: right;">Page 56</p> <p>1 telephone for Long Leaf Trading? 2 A Yes. 3 Q When you talked to them, did you tell 4 them about your reservations with respect to credit 5 spreads? 6 A No. 7 Q Why not? 8 A I was told not to. 9 Q Who told you not to? 10 A Tim Evans. 11 Q What did he say to you exactly? 12 A He said read the script. 13 Q What script? 14 A The script that he gave me. 15 Q When did he give you the script? 16 A After I passed my Series 3. 17 Q Did you ever tell customers that 18 the credit spreads being offered by Long Leaf 19 Trading risked more than the money that was being 20 collected? 21 A Yes. 22 Q When did you tell them that? 23 A On every initial call when we were 24 going into the trade design or the trades that</p>

Page 57

1 were recommended.
 2 Q Did you tell customers that you felt
 3 like the probabilities of credit spreads were
 4 unfavorable?
 5 A No.
 6 Q Why not?
 7 A Because that's what I was told to do.
 8 Q Who told you to do that?
 9 A Tim Evans.
 10 Q So why would you agree not to sort
 11 of disclose your reservations to customers if you
 12 were concerned about credit spreads?
 13 A Well, No. 1, I was new and I didn't want
 14 to antagonize Tim. But, No. 2, he said that he's
 15 had success with that.
 16 Q All right. Mr. Gecas, I want to
 17 hand you what I've marked as CFTC Exhibit 4, and
 18 you'll see it's an email from Jim Donelson to Andrew
 19 Nelson, but it's got a document attached to it and
 20 I want to ask you if you recognize that document.
 21 A Yes.
 22 Q Where do you recognize it from?
 23 A This was the script that Tim Evans gave us.
 24 Q So this was the script that you read from

Page 58

1 on calls?
 2 A Yes.
 3 Q And that you were instructed by Tim Evans
 4 to stick to?
 5 A Correct, as well as Jim Donelson when
 6 he took over.
 7 Q So Jim Donelson used the same script
 8 as Mr. Evans?
 9 A To my knowledge, yes.
 10 Q I'm going to embarrass myself and ask if
 11 I can see that back, please.
 12 A (Tendering).
 13 Q Thank you. See, I didn't have a copy of
 14 this one for myself.
 15 A That's okay.
 16 Q I want to show you a passage on page 6 of
 17 Exhibit 4 and it says, "These three principles are
 18 what we have built our company upon and everything
 19 that we do since our inception. At Long Leaf we
 20 measure our success by our clients' success. There
 21 is no way we would have the ability to work with
 22 hundreds of clients month after month for over nine
 23 years and oversee millions of dollars if we weren't
 24 being profitable for them." Do you see that in

Page 59

1 Exhibit 4?
 2 A Yes.
 3 Q So is that something you said to customers
 4 on calls?
 5 A Yes.
 6 Q Who instructed you to say that?
 7 A Tim Evans.
 8 Q All right. And did you say that to
 9 customers on calls?
 10 A Yes, I did.
 11 Q Did you say it to some of the customers,
 12 most of them, all of them?
 13 A Some of them.
 14 Q All right. Did you say that to
 15 customers consistently throughout the period you
 16 worked at Long Leaf Trading?
 17 A Yes.
 18 Q So you said Tim Evans instructed you
 19 to say it to customers, correct?
 20 A Yes. I shouldn't say I did continue
 21 to say that because, I mean, I didn't see the track
 22 record and I didn't see that. The only thing I went
 23 on was Tim Evans' word, and I had no reason not to
 24 believe him but after time I did stop saying that.

Page 60

1 I didn't say it every single time.
 2 Q So when did you stop saying this bit
 3 about --
 4 A I don't recall.
 5 Q All right. So let's go back to designing
 6 the trades --
 7 A Okay.
 8 Q -- when you were in charge of it,
 9 please. So you were instructed by Tim Evans to
 10 design spread trades that have four legs, correct?
 11 A That was incorrect.
 12 Q Well, what did he tell you then?
 13 A Tim Evans, I never designed trades for
 14 Tim Evans.
 15 Q Oh, I'm sorry. Jim Donelson?
 16 A Yes.
 17 Q Jim Donelson instructed you to design
 18 spread trades that had four legs, correct?
 19 A Correct.
 20 Q Was the purpose of these four-legged
 21 trades relating to the collection of commissions?
 22 A I can only assume so, but I don't know
 23 for sure.
 24 Q Why do you think that?

Page 61

1 A Just because four legs generates more
2 commissions.
3 Q Did you ever ask Mr. Donelson about this?
4 A No.
5 Q So you say four legs generates more
6 commissions. That's correct?
7 A Yes.
8 Q Well, does it do anything else?
9 Is there any other reason you can think of to
10 do a four-legged trade?
11 A Yes, a lot of reasons.
12 Q Okay. What are those reasons?
13 A To reduce the cost of entry, to limit
14 the risk and to take advantage of time decay as well
15 as the volatility increase.
16 Q All right. Did Mr. Donelson ever
17 intimate to you or did Mr. Donelson ever say
18 that these are the reasons why we're doing these
19 four-legged trades?
20 A No.
21 Q Did you think that those were the
22 reasons why you were doing the four-legged trades?
23 A Those were the only reasons I could
24 come up with based on my experience with options.

Page 62

1 Q Well, why do you think you were
2 instructed to do the four-legged trades? Was it
3 commissions?
4 A I mean, taking advantage of the --
5 reducing the costs was my initial thought of why
6 to do four-legged spreads, which made complete sense
7 to me.
8 Q Why did that make sense to you?
9 A Because it reduces the cost of entry.
10 Q How does it do that?
11 A By selling options to finance higher
12 probability options.
13 Q When you say higher probability options,
14 do you just mean the opposite --
15 A Closer to the money.
16 Q You've got to let me finish.
17 A Okay.
18 Q If you would, please.
19 FURTHER EXAMINATION
20 BY MR. PATRICK:
21 Q Does putting those positions on to help
22 finance a higher probability transaction, does that
23 also affect profitability?
24 A On occasion, yes.

Page 63

1 Q Can you talk about how that affects
2 profitability?
3 A It depends on the strategy. Like
4 if we do a ladder where you're buying two, selling
5 one, selling one, it reduces the cost of entry but
6 it also increases the delta versus a regular call
7 spread or put spread.
8 Q And can you explain what the delta is
9 on an option?
10 A The delta is the rate of change
11 per dollar move in the underlying, in the option.
12 FURTHER EXAMINATION
13 BY MR. BURDEN:
14 Q So it seems to me like by selling
15 options to purchase higher probability options,
16 you're potentially -- you're not potentially.
17 You're sort of limiting the amount of profit you
18 can make from those higher probability options,
19 is that fair to say?
20 A Every spread has limited profitability.
21 Q So in reviewing the recommendations
22 that were sent to customers by Long Leaf Trading,
23 is it fair to say that Long Leaf Trading recommended
24 contracts in a wide variety of instruments?

Page 64

1 A Yes.
2 Q So there's coffee in there, right?
3 A Yes.
4 Q T-bonds?
5 A Yes.
6 Q Hogs?
7 A Yes.
8 Q Soybeans?
9 A Yes.
10 Q So how did you determine when you were
11 in charge of designing trades what contracts would
12 be recommended to clients?
13 A Based on the market conditions, based on
14 the chart patterns, based on the volatility levels,
15 based on the delta.
16 Q And how would you sort of --
17 I understand it's -- how would you determine what
18 instruments, which options on which commodities
19 should be entered into sort of broadly? Was there
20 any rule that sort of guided your designing of the
21 trades?
22 A The only rule was really I had was
23 the position could not exceed a thousand dollars.
24 Q Who told you that rule?

<p style="text-align: right;">Page 65</p> <p>1 A Jim Donelson.</p> <p>2 Q And did he explain why?</p> <p>3 A No.</p> <p>4 Q Do you have any understanding of why?</p> <p>5 A No.</p> <p>6 Q Is it perhaps because that's what sort</p> <p>7 of the customers with the smallest accounts could</p> <p>8 participate in?</p> <p>9 A That would make sense, but that wasn't</p> <p>10 explained to me.</p> <p>11 Q All right. So you'll have to forgive</p> <p>12 my ignorance again. How do you design a position</p> <p>13 that can't cost more than a thousand dollars? How</p> <p>14 do you back into that?</p> <p>15 A You take the price of the spread.</p> <p>16 If it's more than a thousand dollars, it's not a</p> <p>17 good trade.</p> <p>18 Q So what do you do if it's more than</p> <p>19 a thousand dollars? What do you do to make it less</p> <p>20 than a thousand dollars?</p> <p>21 A Adjust the strikes.</p> <p>22 Q You move them out, correct?</p> <p>23 A Or down or wherever it makes sense to</p> <p>24 be within that parameter.</p>	<p style="text-align: right;">Page 67</p> <p>1 they were debits.</p> <p>2 Q Because the trade netted to a debit?</p> <p>3 A Correct, and they had equal-sided</p> <p>4 contracts.</p> <p>5 FURTHER EXAMINATION</p> <p>6 BY MR. BURDEN:</p> <p>7 Q All right. So your testimony</p> <p>8 is that Mr. Donelson gave you two rules for</p> <p>9 designing trades. The first is that they have to</p> <p>10 have four legs, is that right?</p> <p>11 A Yes.</p> <p>12 Q The second is that the position</p> <p>13 taken together has to be a thousand dollars or</p> <p>14 less, is that correct?</p> <p>15 A Yes.</p> <p>16 Q Any other rules or constraints imposed</p> <p>17 upon your designing contracts by Mr. Donelson?</p> <p>18 A Never naked short options for sure</p> <p>19 but, I mean, that's something I would do anyway.</p> <p>20 I would never put anybody in a naked option. It</p> <p>21 doesn't make sense.</p> <p>22 Q Okay. Any other rules?</p> <p>23 A No.</p> <p>24 Q Any other guiding principles?</p>
<p style="text-align: right;">Page 66</p> <p>1 FURTHER EXAMINATION</p> <p>2 BY MR. PATRICK:</p> <p>3 Q Do you typically move the strikes further</p> <p>4 away from the money if you're trying to reduce the</p> <p>5 overall cost of the trade?</p> <p>6 A On occasion, yes.</p> <p>7 Q Are there occasions that you would</p> <p>8 move the strikes closer to the money in order to</p> <p>9 reduce the price of the trade?</p> <p>10 A On occasion, yes.</p> <p>11 Q And what circumstances would those be?</p> <p>12 A Based on the strategy.</p> <p>13 Q So can you describe a strategy where</p> <p>14 in order to reduce the cost of the trade you'd</p> <p>15 have to move the strike prices on the legs closer</p> <p>16 to the money?</p> <p>17 A The short strike would make sense</p> <p>18 to be closer to the money because it's higher</p> <p>19 premium.</p> <p>20 Q Does the short strike being closer</p> <p>21 to the money change the margin requirements for</p> <p>22 that account?</p> <p>23 A The margin requirements were not</p> <p>24 an issue when I was designing trades because</p>	<p style="text-align: right;">Page 68</p> <p>1 A No.</p> <p>2 MR. PATRICK: Was the cost of position</p> <p>3 that you referred to, that rule about a thousand</p> <p>4 dollars or less, was that inclusive of all</p> <p>5 commissions and fees or was that just the gross</p> <p>6 cost of the trade?</p> <p>7 THE WITNESS: When I designed the</p> <p>8 trades, I would give him the gross cost of</p> <p>9 the trade.</p> <p>10 MR. PATRICK: And that was the number</p> <p>11 that had to be less than a thousand dollars?</p> <p>12 THE WITNESS: Yes.</p> <p>13 MR. PATRICK: Or a thousand dollars or</p> <p>14 less?</p> <p>15 THE WITNESS: Correct.</p> <p>16 BY MR. BURDEN:</p> <p>17 Q So your testimony is that you come up</p> <p>18 with a trade recommendation first based on market</p> <p>19 information, is that correct?</p> <p>20 A Yes.</p> <p>21 Q And then you would sort of change</p> <p>22 the trade recommendation so it came in under that</p> <p>23 thousand dollar limit, is that correct?</p> <p>24 A Yes.</p>

Page 69

1 Q So every month under Mr. Donelson you
 2 had to design how many trades?
 3 A Four.
 4 Q And each trade has four legs, correct?
 5 A Yes.
 6 Q That's a lot of trades.
 7 A Four trades a month?
 8 Q With four contracts in them each?
 9 A That's a lot of contracts. I wouldn't
 10 say a lot of trades.
 11 Q All right. So when would you start
 12 designing -- what I want you to do is kind of walk
 13 me through -- and if we have a specific example, we
 14 can use that -- but walk me through what you would
 15 sort of do to design the trades. When would you
 16 start designing trades --
 17 A I would look at the market every day.
 18 Q Well, let's say for the next -- when
 19 would the trade recommendations go out? Is it like
 20 the same time every month or --
 21 A Within the last two weeks of the month.
 22 Q That's when the new trade recommendations
 23 go out?
 24 A Yes.

Page 70

1 Q All right. So when do you start designing
 2 the trades for like the next month?
 3 A Depends on market conditions. I mean,
 4 I would watch the market every single day.
 5 Q So what are you looking for?
 6 A High volatility, directional, time decay.
 7 Q So let's talk about volatility.
 8 What would you be looking for to start designing
 9 a trade? Would you be looking for high volatility
 10 or low volatility --
 11 A Both.
 12 Q -- in particular markets?
 13 A Both.
 14 Q So I understand why you would want
 15 low volatility. I'm not sure why you would want
 16 high volatility.
 17 A High volatility you collect more premium.
 18 Q So you would look and see what markets
 19 were more or less volatile?
 20 A Yes.
 21 Q And so if a market -- I mean, what are you
 22 looking for here as a general matter?
 23 A It just depends on the condition of the
 24 market. It depends on the situation.

Page 71

1 Q Well, what would be a favorable
 2 condition for one of your trades? Like if you
 3 were to -- let me see if I have one that you --
 4 a trade that you designed close at hand. If not,
 5 I'll get one after lunch.
 6 A Grab from 24, 25, one of these
 7 recommendations and I can break it down.
 8 Q Yeah. You know, 25 I think is the
 9 right one because that's from February, so let's
 10 look at Exhibit 25. Was this a trade that you
 11 designed, Mr. Gecas?
 12 A Yes.
 13 Q All right. So it looks like we've got
 14 two recommendations here, right?
 15 A Yes, yes.
 16 Q And one is a U.S. T-bond volatility swap,
 17 right?
 18 A Yes.
 19 Q And Recommendation 2 is a British pound
 20 volatility swap, is that right?
 21 A Yes.
 22 Q All right. So let's take a look at this
 23 first one, this T-bond volatility swap.
 24 A They're both the same premise.

Page 72

1 Q Okay. What's the premise, please.
 2 A The front month volatility is much
 3 higher than the back. I don't recall why it was,
 4 but that would be the only reason why I would
 5 recommend this.
 6 Q All right. Is that a thing that
 7 you were looking for in trying to decide trades,
 8 if the front month volatility was higher than the
 9 back?
 10 A Yes.
 11 Q Was that something if you saw that
 12 in a particular instrument, would you design a trade
 13 around that?
 14 A Yes.
 15 Q All right. So what else would you look
 16 for to design trades around?
 17 A Directional basis.
 18 Q What do you mean by directional basis?
 19 A Whatever the chart pattern was.
 20 Q And what else would you look at in
 21 designing trades?
 22 A Chart patterns, volatility and time decay.
 23 MR. PATRICK: Can you tell me what you
 24 mean by time decay? Is that the number of days

<p style="text-align: right;">Page 73</p> <p>1 until expiration on the options contract or --</p> <p>2 THE WITNESS: It's the theta number.</p> <p>3 MR. PATRICK: The theta number. And can</p> <p>4 you explain what that means, the theta number?</p> <p>5 THE WITNESS: Theta is the amount of the</p> <p>6 decay the option has per day.</p> <p>7 MR. PATRICK: So is that like the</p> <p>8 percentage of the options value that's decaying</p> <p>9 each day?</p> <p>10 THE WITNESS: Yes.</p> <p>11 BY MR. BURDEN:</p> <p>12 Q So if you're designing trades, how</p> <p>13 do you determine what prices you want to exit the</p> <p>14 trade at?</p> <p>15 A That is Jim Donelson. That's what he</p> <p>16 used QuikStrike for. I gave him the recommendations</p> <p>17 and he would do all the max gain and max loss.</p> <p>18 Q So your role in designing trades</p> <p>19 was to come up with the instruments that were</p> <p>20 going to be traded and to make sure that it was</p> <p>21 not going to cost customers more than a thousand</p> <p>22 dollars a contract, is that right?</p> <p>23 A Correct.</p> <p>24 Q And then Mr. Donelson would take care</p>	<p style="text-align: right;">Page 75</p> <p>1 A Yes.</p> <p>2 FURTHER EXAMINATION</p> <p>3 BY MR. BURDEN:</p> <p>4 Q I apologize if I asked you this, but</p> <p>5 during Mr. Donelson's tenure, did this rule of one</p> <p>6 contract for every \$10,000 in the account continue?</p> <p>7 A Yes.</p> <p>8 Q All right. I think you testified</p> <p>9 that margin didn't really play any role during the</p> <p>10 period that you were designing trades because they</p> <p>11 were net debits to the account, is that right?</p> <p>12 A Yes.</p> <p>13 Q What about during Mr. Evans' tenure,</p> <p>14 do you know what role margin played in recommending</p> <p>15 trades?</p> <p>16 A Well, if they were credit spreads, yes.</p> <p>17 I mean, the margin was definitely an issue.</p> <p>18 Q So do you know how Mr. Donelson</p> <p>19 made sure his recommendations would not cause the</p> <p>20 customers to experience a margin call?</p> <p>21 A No, I don't. I mean, I would assume</p> <p>22 because they're debits there wasn't many margin</p> <p>23 issues.</p> <p>24 Q I'm sorry. Mr. Evans. Did I say</p>
<p style="text-align: right;">Page 74</p> <p>1 of the rest?</p> <p>2 A Yes.</p> <p>3 FURTHER EXAMINATION</p> <p>4 BY MR. PATRICK:</p> <p>5 Q So how did you get those costs to</p> <p>6 show -- how did you ensure that it was going to</p> <p>7 be a thousand dollars or less if you weren't looking</p> <p>8 at the prices and strikes? It sounds like --</p> <p>9 A I was looking at the prices and strikes.</p> <p>10 Q So what was Mr. Donelson doing in</p> <p>11 QuikStrike?</p> <p>12 A He would take the design that I came up</p> <p>13 with, plug it into QuikStrike, and then QuikStrike</p> <p>14 would give him the numbers and then he would say yes</p> <p>15 or no.</p> <p>16 Q What numbers was he getting out of</p> <p>17 QuikStrike?</p> <p>18 A Total or max return, max loss, all the</p> <p>19 Greeks of the position.</p> <p>20 Q So when you gave him one of your</p> <p>21 recommended trades, it also included the strikes</p> <p>22 and the prices that you thought --</p> <p>23 A Would fit.</p> <p>24 Q -- would fit the trade strategy?</p>	<p style="text-align: right;">Page 76</p> <p>1 Mr. Donelson?</p> <p>2 A Yes.</p> <p>3 Q I meant Mr. Evans. So during</p> <p>4 Mr. Evans' tenure, those credit spreads could</p> <p>5 potentially result in margin calls for customers,</p> <p>6 correct?</p> <p>7 A Yes.</p> <p>8 Q So do you know how Mr. Evans made</p> <p>9 sure that customers weren't going to get margin</p> <p>10 calls?</p> <p>11 A No idea.</p> <p>12 Q So what role did you have in designing</p> <p>13 trades during Mr. Evans' tenure?</p> <p>14 A None.</p> <p>15 Q By the way, if you want to take a break</p> <p>16 at any point, we can take a break.</p> <p>17 A As soon as we can get out of here,</p> <p>18 that would be fine.</p> <p>19 (Whereupon CFTC Exhibit No. 27 was</p> <p>20 marked for identification, MM.)</p> <p>21 Q All right. Mr. Gecas, I want to</p> <p>22 hand you what I've marked as CFTC Exhibit 27. Do</p> <p>23 you recognize this document?</p> <p>24 A Yes.</p>

Page 77

1 Q Can you tell me what it is, please.
 2 A These were all the customers that
 3 I had -- that I was responsible for. Some were --
 4 most them were inherited.
 5 Q Inherited from whom?
 6 A Tim Evans.
 7 Q All right. So looking here at
 8 Exhibit 27, we see it's an email from Mr. Donelson
 9 to you and it's titled Expected Trades, is that
 10 right?
 11 A Right. This is the allocations.
 12 Q So when you say the allocations,
 13 this is Mr. Donelson telling you how many contracts
 14 each customer should be in, correct?
 15 A Correct.
 16 Q What would you do with this information?
 17 A This is what I would recommend to the
 18 client.
 19 Q So looking at Exhibit 27, we've
 20 got Terry Groom and it says Total 3. That means
 21 Mr. Groom can do three contracts based on the amount
 22 of money in his account, correct?
 23 A Yes.
 24 Q So you would then send Mr. Groom

Page 78

1 a recommendation for whatever trade is being
 2 recommended but it would say we recommend three
 3 contracts, right?
 4 A Correct.
 5 Q So what about Francis Abbey? Francis
 6 Abbey, it says Total, zero. What does that mean?
 7 A He would not get the recommendations.
 8 Q So you wouldn't send out a recommendation
 9 to Mr. or Ms. Abbey?
 10 A No.
 11 Q And Mr. Donelson would send you one of
 12 these every month, correct?
 13 A Correct.
 14 (Whereupon CFTC Exhibit No. 28 was
 15 marked for identification, MM.)
 16 Q Mr. Gecas, I'm going to hand you what
 17 I've marked as CFTC Exhibit 28. Do you recognize
 18 this document?
 19 A Yes.
 20 Q Can you tell me what it is, please.
 21 A Yes, another allocation.
 22 Q All right. So you'll see this is an
 23 email from Mr. Donelson to you and Mr. Nelson and
 24 Mr. Hatzigiannis and Mr. Campo. It says Contracts

Page 79

1 Available. So this is another example of
 2 Mr. Donelson's allocation?
 3 A Yes.
 4 Q So this looks a little bit different
 5 than Exhibit 27, isn't that right?
 6 A Yes.
 7 Q So what's going on here? There's some
 8 new information.
 9 A Right. So margin excess, that's
 10 what was available to trade with, I'm guessing.
 11 I don't know. Where it says Class F and N, N
 12 means -- I don't remember what N means, that they
 13 can do partials, and F means that they can do the
 14 full trade amount.
 15 Q So what does that mean, partial?
 16 A They cannot take all four recommendations.
 17 They can take some.
 18 Q How do you know which ones they get
 19 to take?
 20 A They choose.
 21 Q So you would have a conversation
 22 with a customer and say you can't do all but you
 23 can do some?
 24 A Yes, or we would just present them

Page 80

1 with the best opportunity based on market
 2 conditions.
 3 Q All right. You'll see there's
 4 a Margin Needed column. What's going on there?
 5 A I'm guessing that's the cost of the trade
 6 that they would need to place.
 7 Q That makes sense.
 8 MR. PATRICK: So that's not really margin.
 9 It's just --
 10 THE WITNESS: Right.
 11 MR. PATRICK: It's the cost of that
 12 particular --
 13 THE WITNESS: Position.
 14 MR. PATRICK: -- trade recommendation
 15 and whether or not the customer has enough in
 16 its account to participate?
 17 THE WITNESS: To my knowledge, yes.
 18 BY MR. BURDEN:
 19 Q You know, I want to clear something
 20 up, Mr. Gecas. I think you said before that one
 21 of your guiding principles in designing trades was
 22 that the position had to be a thousand dollars or
 23 less, is that right?
 24 A Correct.

Page 81

1 Q So every month you send out four
2 recommendations, right?
3 A Yes.
4 Q So is each recommendation a thousand
5 dollars?
6 A Or less.
7 Q Okay. So if a person says, Mr. Gecas,
8 I want to take all four recommendations, that's
9 going to cost them \$4,000, correct?
10 A Yes.
11 Q So do you know why the magic number
12 was a thousand dollars?
13 A No.
14 Q Did you ever ask?
15 A No. We did have -- I mean, very few
16 trades I think did exceed a thousand dollars, but
17 it was a special occasion. I don't remember what
18 the actual was. I do know that -- I don't believe
19 it ever exceeded 1500. I think there was one or
20 two that were I think 1100 or 1200, but I'm not
21 positive.
22 Q Yeah. I mean, I guess my question is why
23 not 500? Why not 2,000?
24 A Yeah, I don't know. I think there

Page 82

1 have been trades that were those dollar amounts.
2 (Whereupon CFTC Exhibit No. 29 was
3 marked for identification, MM.)
4 Q I want to hand you what I've marked
5 as CFTC Exhibit 29. Do you recognize this document?
6 A Yes.
7 Q Can you tell me what it is, please.
8 A It looks like the clients as well as
9 their liquidating balance, margin needed, available
10 trades, what they agreed to, what's expected, the
11 net liq and then the number of contracts that were
12 for those four trades.
13 Q All right. So this Exhibit 29 is an email
14 from you -- I'm sorry, from Mr. Donelson to you from
15 February 22, 2018, is that right?
16 A I believe so.
17 Q So it's got an attachment. It says
18 Scott List, and it's this Excel spreadsheet that's
19 on the second page of the exhibit. Do you see that?
20 A Yes.
21 Q All right. So what's going on here?
22 This looks like the allocations that we were looking
23 at in Exhibits 27 and 28 but, you know, there's more
24 fields. Do you recall what's going on here?

Page 83

1 A I mean, Jim Donelson was the
2 spreadsheet guy, and he was changing things
3 all the time. He had full control over all this.
4 We never had any input or access to any of this
5 other than what he sent.
6 Q So what were you supposed to do
7 with this information? What did you do with this
8 information?
9 A I'm not sure if these were trades
10 that were already on or if these are recommended
11 trades. It looks like they're recommended trades
12 and it looks like that's what they agreed to. I'm
13 not sure what this is, to be honest with you.
14 Q Okay. Let's put that one aside then,
15 please.
16 A (Witness complies).
17 (Whereupon CFTC Exhibit No. 30 was
18 marked for identification, MM.)
19 Q All right. Mr. Gecas, I want to
20 hand you what I've marked as CFTC Exhibit 30.
21 I'm going to ask you if you recognize it and please
22 answer when you've had a chance to review it.
23 A Yes.
24 Q All right. What is it, please.

Page 84

1 A That looks like it's another allocation
2 sheet.
3 Q All right. And this is an email from
4 Mr. Donelson to you and the other brokers dated
5 5/24/18, is that right?
6 A Yes.
7 Q All right. So you'll see this
8 first attachment is titled May 24, 2018 Customer
9 Analysis, and it's the spreadsheet on the second
10 page of Exhibit 30. So your testimony is that this
11 is another one of the allocations from Mr. Donelson,
12 correct?
13 A I don't see the -- or what did you say
14 the last one was?
15 Q Yeah. So it doesn't -- you know,
16 we print these out and they don't have file names
17 on them, right?
18 A Right.
19 Q Because if you print out a document,
20 it doesn't have --
21 A It looks like an allocation sheet then.
22 Q Yeah. So this is the first attachment
23 to Exhibit 30. So what I'm looking at here is --
24 your testimony is it's another one of these

<p style="text-align: right;">Page 85</p> <p>1 allocations where Mr. Donelson tells you how many</p> <p>2 contracts a customer can do and if they can do all</p> <p>3 four recommendations or just some, is that correct?</p> <p>4 A Correct.</p> <p>5 Q All right. So I'm looking at this and</p> <p>6 we have a margin excess column. Do you see that?</p> <p>7 A Yes.</p> <p>8 Q And then a net liq after trades. Do you</p> <p>9 see that?</p> <p>10 A Yes.</p> <p>11 Q So what's the relationship between these</p> <p>12 two columns?</p> <p>13 A Well, margin excess is what they</p> <p>14 have in their account, margin needed would be</p> <p>15 the cost of the trade, and net liq after the trades</p> <p>16 is -- I assume it's net liq after the trades were</p> <p>17 placed.</p> <p>18 Q All right. It's all coming together.</p> <p>19 So it sounds like on these allocation spreadsheets</p> <p>20 the margin excess, Mr. Donelson considers that net</p> <p>21 liquidation to be margin excess, is that fair to</p> <p>22 say?</p> <p>23 A I don't know what he assumes.</p> <p>24 Q In this margin needed, this is what</p>	<p style="text-align: right;">Page 87</p> <p>1 sent you back to the drawing board?</p> <p>2 A No.</p> <p>3 Q So if the price was around a thousand</p> <p>4 dollars per trade, your recommendation would be</p> <p>5 accepted by Mr. Donelson?</p> <p>6 A Correct.</p> <p>7 Q So did you ever recommend to Mr. Donelson</p> <p>8 when to exit the trade?</p> <p>9 A No.</p> <p>10 Q How was that determined?</p> <p>11 A Well, yes. I shouldn't say no.</p> <p>12 Yes, I have on more than one occasion, and it</p> <p>13 was on more than one occasion he did not agree with</p> <p>14 me.</p> <p>15 Q All right. So let's unpack that a little</p> <p>16 if we could, please. So your recommendations to</p> <p>17 Mr. Donelson, those recommendations didn't include</p> <p>18 the exit price, correct?</p> <p>19 A Correct.</p> <p>20 Q Did they include the exit time?</p> <p>21 A No.</p> <p>22 Q Who determined the exit price or</p> <p>23 the exit time for the trades you recommended?</p> <p>24 A Jim Donelson.</p>
<p style="text-align: right;">Page 86</p> <p>1 it's going to cost the customer to get into this</p> <p>2 trade?</p> <p>3 A I believe so, yes.</p> <p>4 Q So do you know where Mr. Donelson gets</p> <p>5 this information from that we see on the allocation</p> <p>6 sheets, as you described them?</p> <p>7 A I can only assume off other statements.</p> <p>8 Q Did you ever watch Mr. Donelson --</p> <p>9 A Do this, no. We had no control over</p> <p>10 anything Mr. Donelson did. He was completely a</p> <p>11 control guy. He wouldn't let anyone do anything.</p> <p>12 Q Well, it sounds like he let you design</p> <p>13 the trades.</p> <p>14 A Well, he let me come up with the</p> <p>15 ideas. And then if they fit the profile, then he</p> <p>16 would say yes or no.</p> <p>17 Q Was there ever a time where you</p> <p>18 recommended a trade to Mr. Donelson and he said,</p> <p>19 you know, no or do it differently or otherwise sent</p> <p>20 you back to the drawing board?</p> <p>21 A If it was -- depending on where the</p> <p>22 price change was. If the price was too much, then</p> <p>23 yeah.</p> <p>24 Q Any other reasons why Mr. Donelson</p>	<p style="text-align: right;">Page 88</p> <p>1 Q And do you know how he did that?</p> <p>2 A I can only imagine through QuikStrike.</p> <p>3 Q Did he ever show you that he did it with</p> <p>4 QuikStrike?</p> <p>5 A I have seen QuikStrike before.</p> <p>6 Q But has Mr. Donelson ever said,</p> <p>7 you know, hey, Mr. Gecas, watch me use QuikStrike</p> <p>8 to determine --</p> <p>9 A No. I have used QuikStrike while I was</p> <p>10 there.</p> <p>11 Q And I think you testified just now</p> <p>12 that there were occasions when you recommended the</p> <p>13 time and the price at which trades should be exited</p> <p>14 to Mr. Donelson, correct?</p> <p>15 A I have, yeah.</p> <p>16 Q How many times do you think you did that?</p> <p>17 A Two that I can specifically recall.</p> <p>18 Q And when were those, please.</p> <p>19 A I don't remember the times or dates,</p> <p>20 but one was a coffee trade and the other one was</p> <p>21 a bond trade.</p> <p>22 Q All right. And with respect to the</p> <p>23 coffee trade, what did you say to Mr. Donelson?</p> <p>24 A It maxed out and I told him we should</p>

Page 89

1 get out, and he said no because there's more time.
 2 Q And what happened after that?
 3 A He didn't exit it.
 4 Q What was the result of the trade?
 5 A I don't remember offhand.
 6 Q All right. With respect to the bond
 7 trade, same thing?
 8 A The bond trade ended up being a loss,
 9 and I told him to exit the loss immediately and he
 10 refused to.
 11 Q Were there any other occasions
 12 where you made a recommendation to Mr. Donelson
 13 about exiting trades?
 14 A Not that I can recall. I'm sure I did.
 15 I just don't have specifics.
 16 (Whereupon CFTC Exhibit No. 31 was
 17 marked for identification, MM.)
 18 Q All right. Mr. Gecas, I want to show
 19 you what we've marked as CFTC Exhibit 31. Do you
 20 recognize this document?
 21 A Yes. This is QuikStrike, I believe.
 22 Q All right. So Exhibit 31 is -- it's
 23 an email that you're sending to Tim Evans dated
 24 November 2, 2017 and the title is 11/1 Chart

Page 90

1 Explanations. So is this an email that you sent?
 2 A Yes.
 3 Q So what is it? What's going on here?
 4 A It looks like I'm just showing him
 5 an example of what QuikStrike is. I recommend Tim
 6 Evans to use it and I don't believe he ever did.
 7 Q All right. So is this sort of a sample
 8 trade you designed? What is this?
 9 A Yes.
 10 Q Did Mr. --
 11 A I believe so at least. I don't remember.
 12 Q Did Mr. Evans use this?
 13 A Not to my knowledge.
 14 (Whereupon CFTC Exhibit No. 32 was
 15 marked for identification, MM.)
 16 Q All right. Mr. Gecas, I want to hand
 17 you what I've marked as CFTC Exhibit 32. Do you
 18 recognize this document?
 19 A Yes.
 20 Q Can you tell me what it is, please.
 21 A This was an email that Jim sent to
 22 us to send to all of our guys, all of our clients.
 23 Q So if you look at Exhibit 32, it
 24 looks like it's from Scott Gecas, which is you,

Page 91

1 to Jim Donelson and the attachment is January
 2 Trade Recap. So it looks like you're sending this
 3 to Mr. Donelson?
 4 A Right. So I did do a trade recap of
 5 the positions that we had on, and then he would
 6 take the email, adjust it and reword it and send it
 7 back.
 8 Q So this Exhibit 32, the trade recap,
 9 is something that you drafted, is that correct?
 10 A I believe so.
 11 Q So these trade recaps or trade
 12 updates get sent out pretty regularly by Long Leaf
 13 to customers, is that right?
 14 A No, it would happen on occasion. It
 15 wouldn't happen all the time.
 16 Q I thought it happened monthly, is that
 17 not right?
 18 A It's supposed to. It did not happen
 19 monthly.
 20 Q What was the reason -- did Mr. Donelson
 21 ask you to draft these recaps?
 22 A On occasion, yes.
 23 Q All right. So it sounds like you
 24 drafted some of them but not all of them, is that

Page 92

1 right?
 2 A Yes.
 3 Q How did you draft this? Like what's
 4 your basis for saying the things you say about
 5 January trades in here?
 6 A Just whatever was going on in the
 7 market and the reason why we have that spread
 8 and just everything that was going on in the market
 9 at that time.
 10 Q Did you ever use an options simulator?
 11 A No. Well, I guess QuikStrike's an options
 12 simulator.
 13 Q You know, I've got an email and I can
 14 grab it and mark it as an exhibit, but I have a
 15 feeling that you're going to have an easy answer
 16 for it. I have an email dated December 6, 2017
 17 where Mr. Evans sends to you a spreadsheet called
 18 Options Simulator and it's got equations in the
 19 cells that you can plug things in. Do you know
 20 what I'm talking about here?
 21 A Very vaguely, and I believe that I told
 22 him that it was worthless.
 23 Q Why did you --
 24 A Because I tried to use it -- if I recall

<p style="text-align: right;">Page 93</p> <p>1 correctly, I tried to use it and it didn't work.</p> <p>2 Q Was this options simulator something</p> <p>3 that Mr. Evans used?</p> <p>4 A I don't know.</p> <p>5 Q When you were designing trades during</p> <p>6 Mr. Donelson's tenure, did you use QuikStrike to</p> <p>7 design the trades?</p> <p>8 A I did not use QuikStrike to design them,</p> <p>9 no.</p> <p>10 Q You had login credentials for QuikStrike,</p> <p>11 correct?</p> <p>12 A Correct.</p> <p>13 Q What did you use those login credentials</p> <p>14 for?</p> <p>15 A To plug the numbers in after the</p> <p>16 trades that I recommended were okayed to then</p> <p>17 use QuikStrike for all the Greeks, what the position</p> <p>18 had in delta, what the position had in gamma, theta,</p> <p>19 rho.</p> <p>20 Q So I'm confused. I thought your</p> <p>21 testimony was that Mr. Donelson figured out the</p> <p>22 Greeks, as you call them, and that was --</p> <p>23 A In the beginning he figured out</p> <p>24 the Greeks. Well, actually, no, he didn't. But</p>	<p style="text-align: right;">Page 95</p> <p>1 adjust what I said or not, and then we would have</p> <p>2 to send this out to the customers.</p> <p>3 Q Did you provide any feedback with respect</p> <p>4 to this writing?</p> <p>5 A I'm sure I did on occasion. I do not</p> <p>6 recall specifically.</p> <p>7 Q All right. I think in Exhibit 32 we</p> <p>8 were looking at that January trade recap. Remember</p> <p>9 that?</p> <p>10 A Correct.</p> <p>11 Q So is this Exhibit 33, this is just</p> <p>12 an earlier draft of that trade update it sounds</p> <p>13 like, right?</p> <p>14 A Correct.</p> <p>15 Q All right. So --</p> <p>16 A Yeah, it looks like it.</p> <p>17 Q I mean, let's stay on 33, if we</p> <p>18 could, please. So this is what was sent out</p> <p>19 to customers explaining the trades for that month,</p> <p>20 right?</p> <p>21 A Um-hmm.</p> <p>22 Q Yes?</p> <p>23 A Yes.</p> <p>24 Q So is this explaining trades</p>
<p style="text-align: right;">Page 94</p> <p>1 in the beginning he didn't use QuikStrike until</p> <p>2 I recommended QuikStrike to him. As I was using</p> <p>3 QuikStrike to show him, then he took over QuikStrike</p> <p>4 to completely take control over that.</p> <p>5 (Whereupon CFTC Exhibit No. 33 was</p> <p>6 marked for identification, MM.)</p> <p>7 Q Mr. Gecas, I want to hand to you what</p> <p>8 I've marked as CFTC Exhibit 33. Do you recognize</p> <p>9 this document?</p> <p>10 A Yes.</p> <p>11 Q Can you tell me what it is, please.</p> <p>12 A It's a breakdown of the trade positions</p> <p>13 that we had on at that period of time.</p> <p>14 Q All right. So you'll see it's an</p> <p>15 email from Mr. Donelson to you dated January 30,</p> <p>16 2018 and the attachment -- the subject is Trade</p> <p>17 Color and the attachment is January Trade Color.</p> <p>18 And Mr. Donelson writes, "Here is the color behind</p> <p>19 the trades for the month. Please give me your</p> <p>20 feedback." So what's going on here?</p> <p>21 A This is like I said with the other</p> <p>22 ones, so he would come up with this to send out</p> <p>23 to the clients. He would have me look over it,</p> <p>24 if it actually made sense. And then he would either</p>	<p style="text-align: right;">Page 96</p> <p>1 that already happened or trades that were being</p> <p>2 recommended that were going to happen?</p> <p>3 A That I don't recall.</p> <p>4 Q All right. So what I really want to</p> <p>5 get at is who comes up with this trade color as</p> <p>6 it's described and where that information comes</p> <p>7 from, but I think maybe the easiest way to do that</p> <p>8 is to look at what's written. So let's look at this</p> <p>9 US --</p> <p>10 A Okay. So I can explain that right away.</p> <p>11 Q Okay.</p> <p>12 A So what he would do is he would ask me</p> <p>13 why I would look at those trades, and then I would</p> <p>14 give him an explanation of why I looked at those and</p> <p>15 then he would put in his own words.</p> <p>16 Q So you would sort of orally convey to</p> <p>17 Mr. Donelson why you were recommending the trades</p> <p>18 you recommended and then he would --</p> <p>19 A Yes.</p> <p>20 Q -- he would reduce that to writing?</p> <p>21 A Correct.</p> <p>22 Q And if you felt he did it incorrectly,</p> <p>23 you would provide him with edits?</p> <p>24 A Right, correct.</p>

Page 97

1 Q So let's take a look at this passage
2 on U.S. T-bond broken wing butterfly. So it reads,
3 "FOMC begins meeting tomorrow through Wednesday.
4 Expectation is that they will begin laying the
5 groundwork for a Q2 rate hike and will not signal
6 a Q1 hike. The wording will most important" -- I
7 think that's supposed to say, "The wording will be
8 most important, as it will provide future guidance
9 on number of rate hikes for the year. Current
10 expectation is three hikes."

11 So this was your explanation
12 for this trade that you provided to Mr. Donelson?

13 A I believe so, yes.

14 Q All right. So where do you get this from?
15 It says there's an expectation that --

16 A A number of news outlets.

17 Q So you're reading news and that forms
18 part of your basis for making recommendations, is
19 that right?

20 A Correct.

21 Q So what news sources would you look to
22 for recommending trades?

23 A A wide variety. Bloomberg, Reuters,
24 MarketWatch, CME website.

Page 98

1 Q All right. I mean, is it fair to say
2 that you would sort of come up with a recommendation
3 for the trades based on the requirements of having
4 a four-legged trade and the requirement that it
5 cost around a thousand dollars and then sort of look
6 for this justification to provide to clients after
7 the fact?

8 A I don't know if I would say after
9 the fact, but I would use the market information
10 that was available to make the recommendations and
11 explain those recommendations to the customer.

12 Q So what comes first for you in
13 designing trades, the consideration of the price
14 and the necessity of having four legs or the color
15 that we see here in Exhibit 33?

16 A I would say the color that you
17 are seeing, then go out in the marketplace, look
18 for those opportunities based on the criteria and
19 the technical -- I mean, it's a wide range. So
20 I would use news, technical analysis, volatility,
21 time decay. All those things go into trade design.

22 (Whereupon CFTC Exhibit No. 34 was
23 marked for identification, MM.)

24 Q Mr. Gecas, I want to hand you what

Page 99

1 we've marked as CFTC Exhibit 34. Do you recognize
2 this document?

3 A Yes.

4 Q Can you tell me what it is, please.

5 A It's what my recommendations are
6 to Jim for -- I don't know which approval it
7 is. Oh, it looks like the -- a couple different
8 things. But, yes, it's an email I sent to Jim with
9 my understanding of what we should do with those
10 positions.

11 Q All right. So you see the email
12 on February 12, 2018 at 11:10 a.m. Mr. Donelson
13 writes, "We may need to adjust the hogs again to
14 14. Below that number the trade doesn't cover the
15 fees." Do you see that?

16 A It says we may need to adjust the hogs
17 again to 4.

18 Q Oh, I said 14, didn't I?

19 A Yes.

20 Q All right. So Mr. Donelson writes
21 here --

22 A Right.

23 Q -- "We may need to adjust the hogs
24 again to 4. Below that number the trade doesn't

Page 100

1 cover the fees." What is Mr. Donelson talking
2 about here?

3 A I'm guessing that the adjustment
4 is going to be -- I'm not really sure what this
5 is. I'm guessing the fees are referring to the
6 commission fees based on what they were charging,
7 but it didn't make sense to do the adjustment based
8 on those fees. I'm guessing.

9 Q Okay. You can put that one aside.

10 A (Witness complies).

11 (Whereupon CFTC Exhibit No. 35 was
12 marked for identification, MM.)

13 Q All right. Mr. Gecas, I'm going
14 to hand you what I've marked as CFTC Exhibit 35.
15 Do you recognize this document?

16 A No, I don't. I mean, I don't --

17 I mean, I'm on it. I just don't remember it.

18 Q Yeah. So Exhibit 35 is an email here
19 from you dated October 6, 2017 to Mr. Evans, and you
20 are asking on behalf of a customer named Bill Sing.
21 Do you remember that customer?

22 A I do not.

23 Q All right. It sounds like Mr. Sing
24 is interested in having a fully managed account.

Page 101

1 A Right.
 2 Q I really want to use this document as a
 3 jumping-off point to ask about powers of attorney.
 4 Were there any powers of attorney executed by Long
 5 Leaf trading customers?
 6 A Not to my knowledge at all because no
 7 one was able to.
 8 Q When you say no one was able to, why was
 9 no one able to?
 10 A No one had their Series 3 longer than
 11 two years.
 12 Q So your understanding is that brokers
 13 can't trade on behalf of a client if they've had
 14 a Series 3 for less than two years?
 15 A That is my understanding.
 16 Q What's the basis of that understanding?
 17 A I thought that's what it says on all
 18 the Series 3 material.
 19 Q So this wasn't something Mr. Evans told
 20 you?
 21 A No.
 22 Q Did you ever ask Mr. Evans why
 23 Long Leaf Trading wasn't registered as a CTA,
 24 a commodity trading advisor?

Page 102

1 A No, I did not.
 2 Q Did Mr. Evans ever talk to you or
 3 otherwise communicate with you about registering
 4 Long Leaf Trading as a commodity trading advisor?
 5 A No.
 6 Q Did he ever talk to you about why,
 7 you know, if he planned to or if he wanted to or
 8 didn't want to?
 9 A No. Tim Evans did not explain anything
 10 to me about the future or process, anything new with
 11 Long Leaf at all.
 12 MR. BURDEN: All right. You know what,
 13 we've been going for two hours. It's 12. I'd
 14 like to go off the record, if we could, please,
 15 and take a break, not just for lunch but so we
 16 can set up some other things. Can I let you out
 17 and we'll see you back at 1?
 18 THE WITNESS: Sure.
 19 MR. BURDEN: Thanks, Mr. Gecas.
 20 (Whereupon a lunch recess was taken
 21 from 12:06 p.m., to 1:08 p.m., after
 22 which the following proceedings were
 23 had:)
 24

Page 103

1 AFTERNOON SESSION
 2 SCOTT GECAS,
 3 called as a witness herein, having been previously
 4 sworn and examined, testified further as follows:
 5 FURTHER EXAMINATION (Cont'd.)
 6 BY MR. BURDEN:
 7 Q All right. I want to the record
 8 to reflect that the witness did not have any
 9 substantive discussions with myself or any other
 10 member of the team. In the hallway Mr. Gecas asked
 11 if I knew what was going to happen or what was next,
 12 and I said that I didn't know. Isn't that correct,
 13 Mr. Gecas?
 14 A Correct.
 15 Q All right. Mr. Gecas, I want to follow
 16 up on a couple of points from your testimony about
 17 designing trades for Long Leaf Trading. I think you
 18 testified that all of the trades were four-legged
 19 spreads, is that right?
 20 A Yes.
 21 Q When you were an option trader yourself,
 22 did you ever use four-legged spreads?
 23 A Yes.
 24 Q When?

Page 104

1 A Several occasions. I was more or less
 2 an inventory trader, so my legs consisted of one to
 3 many, much more than four.
 4 Q Would you say you used four-legged
 5 spreads on how many occasions during your career,
 6 a dozen, a few hundred, too many to count?
 7 A Too many to count.
 8 Q So with respect to Long Leaf Trading,
 9 you know, why not just sort of use that thousand
 10 dollars in the customer's account to buy an option?
 11 Did you ever propose that to Mr. Evans or
 12 Mr. Donelson?
 13 A I don't understand the question. What
 14 do you mean by buying an option?
 15 Q You can buy an option, correct?
 16 A Yeah.
 17 Q So why not just do that with the money
 18 in the customer's account?
 19 A Well, we could, but I was told
 20 not to. And if you buy just a single, it's purely
 21 directional.
 22 Q I understand that. Did you ever
 23 suggest to Mr. Evans that the Long Leaf Trading
 24 customers might benefit from just buying options

<p style="text-align: right;">Page 105</p> <p>1 rather than spreads?</p> <p>2 A No.</p> <p>3 Q Did you ever suggest that to Mr. Donelson?</p> <p>4 A No.</p> <p>5 Q Do you think that's true? Do you think</p> <p>6 that's right or no?</p> <p>7 A I don't understand the question. What</p> <p>8 is right?</p> <p>9 Q Would it be more advantageous</p> <p>10 for retail customers like Long Leaf Trading's</p> <p>11 customers to purchase options --</p> <p>12 A Purchase of single options, no, I don't.</p> <p>13 Q Why not?</p> <p>14 A Because of the time decay factor</p> <p>15 as well as depending on which option you want</p> <p>16 to buy or sell, it could be very expensive or not</p> <p>17 expensive.</p> <p>18 Q So I want to go back for a moment,</p> <p>19 if we could, please, to Exhibit 25, which is --</p> <p>20 A Okay.</p> <p>21 Q -- the February 22, 2018 recommendation</p> <p>22 sent by you to a customer. Are you with me?</p> <p>23 A Yes.</p> <p>24 Q So let's look at max gain and max</p>	<p style="text-align: right;">Page 107</p> <p>1 one. I mean, we would have several that would</p> <p>2 have their max gain, but others would not. I mean,</p> <p>3 I don't know how to respond to that as far as a</p> <p>4 percentage goes or rarely, sometimes or often.</p> <p>5 Q Well, you see that it says max gain</p> <p>6 and it sets forth a number?</p> <p>7 A Right.</p> <p>8 Q And it does that for every recommendation</p> <p>9 you sent out, correct?</p> <p>10 A Correct.</p> <p>11 Q So surely you must know if the max</p> <p>12 gain was achieved for recommendations you yourself</p> <p>13 sent out?</p> <p>14 A Yes, yeah, I do recall the max gain being</p> <p>15 reached. I just don't know how often.</p> <p>16 Q Is it fair to say that it did not happen</p> <p>17 often?</p> <p>18 A Yes.</p> <p>19 Q All right. So I want to focus on</p> <p>20 this max gain number that we see in Exhibit 25</p> <p>21 and which is in the other recommendations. What is</p> <p>22 the likelihood of that maximum gain being achieved?</p> <p>23 A I don't have those percentages.</p> <p>24 Q Is that fair to say with respect to these</p>
<p style="text-align: right;">Page 106</p> <p>1 loss here. With respect to the max gain, that's</p> <p>2 the top number, the 1348.40, is that right?</p> <p>3 A Correct.</p> <p>4 Q All right. So was that max gain realized?</p> <p>5 A I don't recall.</p> <p>6 Q During your time at Long Leaf,</p> <p>7 were the max gains that were set forth in these</p> <p>8 recommendations, were they ever achieved?</p> <p>9 A Ever, yes.</p> <p>10 Q How many occasions?</p> <p>11 A I don't recall.</p> <p>12 Q Was it most of the time?</p> <p>13 A No.</p> <p>14 Q Some of the time?</p> <p>15 A I believe so.</p> <p>16 Q Is that fair to say that the max</p> <p>17 gain was achieved only very rarely at Long Leaf</p> <p>18 Trading?</p> <p>19 A While my time was there, I would say yes.</p> <p>20 Q Yes, it was pretty rare for the max gain</p> <p>21 to be achieved?</p> <p>22 A On occasion, yes.</p> <p>23 Q What do you mean on occasion, yes?</p> <p>24 A Well, I mean, it just depends on which</p>	<p style="text-align: right;">Page 108</p> <p>1 spread traits that Long Leaf Trading recommends,</p> <p>2 that it's not very likely that the max gain will</p> <p>3 be achieved?</p> <p>4 A No, I would not say that.</p> <p>5 Q Why? Why do you disagree with that</p> <p>6 statement?</p> <p>7 A Because the max gain is there based</p> <p>8 on a probability number of the spread which we try</p> <p>9 to implement.</p> <p>10 Q But how likely is it -- let's just look</p> <p>11 at Exhibit 25. How likely is it that this 1,348.40</p> <p>12 number is going to be achieved?</p> <p>13 A I don't have the actual numbers in front</p> <p>14 of me, so I can't give you that percentage.</p> <p>15 Q So how could you -- and you'll have to</p> <p>16 forgive me as a non-option trader -- how could you</p> <p>17 determine whether that's likely or not? It seems</p> <p>18 like --</p> <p>19 A It's based on the probability of the</p> <p>20 spread.</p> <p>21 Q So looking at this -- well, what do you</p> <p>22 mean it's based on the probability of the spread?</p> <p>23 A The Greeks that go along with the spread.</p> <p>24 Q So how is a person who's looking at</p>

Page 109

1 this recommendation supposed to know how likely
 2 it is that this max gain is going to be realized?
 3 A Based on this information, they're not.
 4 They don't have that information.
 5 Q Why not?
 6 A Because it wasn't given to them based
 7 on the recommendation.
 8 Q Okay. Was that information, was the
 9 information likelihood of achieving the max gain
 10 provided to customers?
 11 A Not to my knowledge.
 12 Q Did you ever provide it to customers?
 13 A No.
 14 Q Why not?
 15 A It was not part of the process that we
 16 went through.
 17 Q And I think I'm betraying my ignorance
 18 here, but the probability of achieving the max gain,
 19 was that a number that you had?
 20 A Yes and no.
 21 Q What do you mean by that?
 22 A Yes, the probability is based on the
 23 mathematical equation based on the options spread
 24 based on the underlying, which is not provided here,

Page 110

1 so that is a math number that is provided.
 2 Q Who provides it?
 3 A The math on the options spread.
 4 Q So it comes out of QuikStrike, right?
 5 A Yes.
 6 Q So did you see that probability number?
 7 A I don't think they have the probability
 8 number as far as the potential of reaching the max
 9 gain. When they say probability on those numbers,
 10 it's a probability of the spread being in the money
 11 by a single penny.
 12 MR. PATRICK: And was that probability,
 13 was it expressed as a percentage?
 14 THE WITNESS: I don't recall. I haven't
 15 used QuikStrike in quite some time, so I don't
 16 remember.
 17 BY MR. BURDEN:
 18 Q Well, when you were putting together
 19 the trades after January of 2018, was that something
 20 you looked at, the probability of the max gain
 21 being achieved?
 22 A No.
 23 Q Why not?
 24 A When we were looking at the spreads,

Page 111

1 we would look at the delta as far as the expected
 2 move, what the options were saying. And if
 3 that expected move was based on the spread, then
 4 it was -- if the market reacted that way then, yeah,
 5 it would hit that probability number. It would hit
 6 that max target if the market went that way.
 7 Q Well, so if I'm a customer and
 8 I receive this recommendation, I see there's a max
 9 gain here of approximately \$1300, right?
 10 A Um-hmm.
 11 Q That's in Exhibit 25, right?
 12 A Yeah.
 13 Q So I want to know is that likely or
 14 is that unlikely? You know, if there's a 5 percent
 15 chance I can get this \$1300 gain, that doesn't seem
 16 very likely to me. That's just my opinion --
 17 A Correct.
 18 Q -- as a hypothetical customer. If
 19 the likelihood is like 80 percent, then to me
 20 as a hypothetical customer, that seems like a pretty
 21 good probability I'm going to get that max gain.
 22 A Correct.
 23 Q So --
 24 A That was not expressed to the customers.

Page 112

1 Q But was it something that was available
 2 to you? Did you know that?
 3 A No.
 4 Q Why?
 5 A Based on the software and the tools that
 6 I had, it wasn't given to me.
 7 Q Did you ever go and look for it and
 8 try to figure out what the probability would be?
 9 A No.
 10 Q So I don't understand why not.
 11 I mean, it seems to me that you're making these
 12 recommendations to customers, correct?
 13 A Um-hmm.
 14 Q Yes?
 15 A Yes. Based on the market information
 16 that was given to me at that time, I thought that
 17 was the best opportunity for the customer to realize
 18 a gain.
 19 Q But when you say the best opportunity
 20 to realize a gain, it sounds like -- did you know
 21 what that probability was that that max gain would
 22 be achieved?
 23 A No, I didn't have that exact number, no.
 24 Q So how can you say that this

Page 113

1 recommendation, Exhibit 25, or any other
 2 recommendation was, you know, the best chance they
 3 have of making a profit?
 4 A Well, it was based on the market conditions
 5 at that point in time.
 6 Q What do you mean by market conditions?
 7 A Well, if the chart is in a strong up
 8 trend, then being long that instrument and with
 9 options, it's a higher probability of it making
 10 money versus it going lower.
 11 Q But you don't know what that probability
 12 is?
 13 A No.
 14 Q All right. So really same set
 15 of questions with respect to the max loss. So
 16 Exhibit 25, I want to make sure I'm looking at this
 17 right. This max loss is \$674.20 here, right?
 18 A Correct.
 19 Q All right. So were customers told what
 20 the likelihood is of that max loss being realized?
 21 A The probability, no. At worst case
 22 scenario if the options had to go expire worthless,
 23 that was their max loss.
 24 Q But I'm a hypothetical customer.

Page 114

1 I care how likely that loss is, right?
 2 A Right.
 3 Q So if I'm not very likely to lose \$674,
 4 that's great news. I probably want to take that
 5 bet, right?
 6 A Correct.
 7 Q Now, if I'm very likely to lose \$674,
 8 like 80 percent likely, I probably wouldn't want
 9 to take that bet, do you agree?
 10 A Correct.
 11 Q So did you understand what the
 12 percentage likelihood is, what the probability was
 13 of that max loss being realized?
 14 A No.
 15 Q Why not? Is that something you asked
 16 for from Mr. Donelson or Evans?
 17 A No, I never asked those questions.
 18 Q Is that a number that QuikStrike could
 19 generate for you?
 20 A I don't believe so. It doesn't have
 21 a probability number. It bases it off of delta.
 22 Q And the delta is -- indulge me and explain
 23 it for me, please.
 24 A The delta is the rate of change

Page 115

1 in the option per dollar move in the underlying.
 2 Q All right. How frequently during your
 3 time at Long Leaf Trading did this max loss come to
 4 occur?
 5 A It did occur. I wouldn't say often, but
 6 it did occur.
 7 FURTHER EXAMINATION
 8 BY MR. PATRICK:
 9 Q So I just want to go back to
 10 something that I think you said earlier, which
 11 was that the max gain that was contained in the
 12 trade recommendations was partially a function
 13 of the probability number that the spread would,
 14 you know, be profitable.
 15 A No, that's not correct. The max
 16 gain of the spread would be the difference between
 17 strikes.
 18 Q Okay. So, I'm sorry, I probably
 19 said max gain when I should have said target gain.
 20 A Okay. The target gain is based off
 21 of what Jim Donelson said that he wanted to start
 22 reducing the position at that point. That was not
 23 a number that was given based on probability, based
 24 on anything. That was just a number he picked.

Page 116

1 Q Okay. So what does that probability
 2 number that we've been talking about here for the
 3 last couple of minutes, what does that probability
 4 number go into calculating in --
 5 A That's basically delta.
 6 Q Delta.
 7 FURTHER EXAMINATION
 8 BY MR. BURDEN:
 9 Q Where is delta reflected in Exhibit 25?
 10 A It's not.
 11 Q All right. I really want to get to the
 12 bottom of delta because I don't understand it, and
 13 this may be my best chance to get it on the record.
 14 Explain to me, if you would, please, as if I didn't
 15 know at all -- because I don't -- what delta is and
 16 use if you would, please, Exhibit 25 as a reference.
 17 A Well, I don't have the delta of these,
 18 so I can't.
 19 Q So what is the delta measuring? And
 20 I know you've said it before but --
 21 A Delta's the rate of change in the
 22 option per dollar move in the stock. So if the
 23 delta is 50, the stock moves -- or the underlying
 24 moves a dollar, the option should increase by 50.

<p style="text-align: right;">Page 117</p> <p>1 There's a lot of other variables that go into that, 2 but that's a basic understanding of delta. 3 MR. PATRICK: I understand it, yes. 4 MR. BURDEN: Okay. I do now. I guess 5 what I don't -- sorry, go ahead. 6 FURTHER EXAMINATION 7 BY MR. PATRICK: 8 Q So, again, I'm going to go back 9 to this probability number. So I think you said 10 earlier that the probability number in the spread 11 is the reason that that number is there, and you 12 were referring to the target gain. 13 A Yeah. Well, the target gain is the 14 delta of the spread that can max out the max gain 15 based on the width of the strikes. 16 Q Okay. But I think when we asked about 17 the probability, you said it was the probability 18 of that option moving even one penny into the money 19 pre-expiration, correct? 20 A Correct. 21 Q Is that the same as delta? 22 A Yes, but there's a lot of other 23 variables that go along with those prices. So it 24 really depends.</p>	<p style="text-align: right;">Page 119</p> <p>1 Q Did any of your customers make money? 2 A Some did. 3 Q Who? 4 A I don't recall exact. 5 Q When you say that customers made money, 6 do you mean they made money in one month and not the 7 next or overall? 8 A One month and not the next. 9 Q So you've got to know that when I ask 10 you this question, I'm asking net net. 11 A Net net, I don't have those answers. 12 I don't recall. 13 Q During the time that you worked 14 at Long Leaf Trading, did any of your customers 15 make money overall, that is to say, during the life 16 of their trading at Long Leaf? 17 A I don't recall. 18 MR. PATRICK: Can you think of even one? 19 THE WITNESS: Well, I don't have -- 20 I can't recall hardly any of those customers. 21 I had so many, I don't recall their exact names. 22 BY MR. BURDEN: 23 Q Well, how many customers made money 24 during the time they were trading at Long Leaf?</p>
<p style="text-align: right;">Page 118</p> <p>1 Q Okay. And what are those other 2 variables, the other Greeks? Are you referring to 3 the other Greeks, like theta -- 4 A And vega. 5 MS. STREIT: Anything else? 6 THE WITNESS: As far as? 7 MS. STREIT: Other variables. You said 8 theta -- 9 THE WITNESS: Gamma, theta, vega, 10 rho, omega, all the Greeks that go along 11 with options. 12 FURTHER EXAMINATION 13 BY MR. BURDEN: 14 Q All right. So I want to switch gears 15 and talk about Long Leaf Trading's track record, 16 and I hope you'll forgive me if this is somewhat 17 duplicative, but we'll get back to a place where 18 it's not. So during your time at Long Leaf Trading, 19 did customers make money? 20 A Some did, some did not. 21 Q What customers made money? 22 A I can't recall exact customers. 23 Q Were they customers of yours? 24 A I don't recall.</p>	<p style="text-align: right;">Page 120</p> <p>1 A I don't have those numbers. I didn't 2 have access to any of their statements. We get 3 their statements emailed to us, but they were also 4 emailed to Jim and we -- you know, Jim handled all 5 of that. 6 Q I'll show you those in a minute. 7 Is it fair to say that while you were at Long Leaf 8 Trading all of your customers lost money? 9 A I don't think that's accurate. I'm not 10 positive, though. 11 Q You're not positive. How many customers 12 made money of yours? 13 A I don't recall. 14 MR. PATRICK: So you're not positive 15 because you think it's possible all of your 16 customers may have lost money during the time 17 you were at Long Leaf? 18 THE WITNESS: I'm not positive. To be 19 honest, I really don't know, I mean, because 20 a lot of those accounts that were handed to me, 21 they were already debit. So, you know, I did 22 have an increase in their account since I've 23 had them, but I think overall they were debit. 24</p>

Page 121

1 BY MR. BURDEN:
 2 Q So when you say overall the customers you
 3 inherited were debit, you mean overall the customers
 4 you inherited lost money, is that right?
 5 A I believe so, yes.
 6 Q And when you inherited those customers,
 7 their accounts were down, right?
 8 A Yes.
 9 Q And by the time you left Long Leaf
 10 Trading their accounts were down further, is that
 11 fair to say?
 12 A Some of them, yes.
 13 Q Which ones weren't? Who was up?
 14 A I don't know.
 15 Q Was anyone up?
 16 A I don't recall. Honestly, I don't.
 17 Q They were all down, weren't they?
 18 A I don't recall.
 19 Q All right. Were there months
 20 where customers at Long Leaf Trading made money?
 21 A Yes.
 22 Q What months?
 23 A I don't recall.
 24 Q Were those months during your tenure

Page 122

1 at Long Leaf?
 2 A Some of them, yes.
 3 Q Do you remember maybe the season or what
 4 was going on?
 5 A No, I don't.
 6 Q Do you know if other customers
 7 at Long Leaf, or I should say customers other
 8 than your customers, made money trading while you
 9 were at Long Leaf?
 10 A No, I don't.
 11 Q Did you ever ask Mr. Evans what
 12 the firmwide results were for customer trading?
 13 A When I first started and interviewed,
 14 I did.
 15 Q And what did he tell you?
 16 A He said he's had positive months and
 17 bad months. Overall he said he's had great years
 18 and he's had poor years.
 19 Q Well, did you ask Mr. Evans overall if
 20 customers made or lost money net net?
 21 A Well, I don't know. I did ask him,
 22 but I don't know what his track record that he was
 23 basing it off. He said he's had great years and
 24 bad years. That was his answer to me.

Page 123

1 Q Did you ask Mr. Evans for any proof
 2 of this track record?
 3 A No.
 4 Q Did you ask Mr. Evans for customer
 5 statements?
 6 A No.
 7 Q Why not?
 8 A I don't know.
 9 Q Later on when you were working at
 10 Long Leaf Trading when you'd been there for a few
 11 months, did you ask Mr. Evans again if you could see
 12 performance data for the firm's customers?
 13 A Yes, and he wouldn't give me any of that.
 14 Q So when did you ask him for that?
 15 A I would say -- so I started in June.
 16 Maybe around July and August.
 17 Q So around July and August your testimony
 18 is you asked Mr. Evans for firmwide trading results
 19 for clients?
 20 A Yeah.
 21 Q What exactly did you ask him?
 22 A How was everyone doing. And judging by
 23 what I've seen, they're not doing well. You said
 24 you did have positive months. Can you show me any

Page 124

1 of that?
 2 Q What did Mr. Evans say to you?
 3 A No.
 4 Q Did you just let that go?
 5 A Yes.
 6 Q Why?
 7 A Because I was brand new and I didn't want
 8 to -- I still wanted a job.
 9 Q And I think you testified that
 10 by July or August of 2017 you had seen customers
 11 losing money at Long Leaf, is that correct?
 12 A Some did, some didn't. It just
 13 depended on when they came in and how long they
 14 were there.
 15 Q But these losses were why you asked
 16 Mr. Evans about firmwide trading results, correct?
 17 A Yes.
 18 Q Did you ever ask Mr. Evans again for
 19 firmwide trading results?
 20 A No.
 21 Q Sorry?
 22 A No.
 23 Q When Mr. Donelson came on board,
 24 did you ask Mr. Donelson for firmwide trading

<p style="text-align: right;">Page 125</p> <p>1 results?</p> <p>2 A No.</p> <p>3 Q Why not?</p> <p>4 A Because they were the same results from</p> <p>5 Tim Evans, I would assume.</p> <p>6 Q Yeah. But the firm, it keeps on trading,</p> <p>7 right?</p> <p>8 A Right.</p> <p>9 Q So every month --</p> <p>10 A But the results change all the time</p> <p>11 because based on when the customers come in or</p> <p>12 how long they've been there.</p> <p>13 Q But later on there would be more of</p> <p>14 a track record, right?</p> <p>15 A Right.</p> <p>16 Q Gains or losses that were aberrant</p> <p>17 would be smoothed out over time, is that fair to</p> <p>18 say?</p> <p>19 A I would think.</p> <p>20 Q So why didn't you ask Mr. Donelson for</p> <p>21 firmwide performance records?</p> <p>22 A I don't know.</p> <p>23 Q Weren't you interested?</p> <p>24 A Yes and no.</p>	<p style="text-align: right;">Page 127</p> <p>1 able to give a track record because -- and this</p> <p>2 was told to me by Tim Evans, is if customers ask</p> <p>3 for that, tell them that we're not able to give</p> <p>4 those track records because we're not a CTA or</p> <p>5 a hedge fund or a commodity pool.</p> <p>6 Q When did Mr. Evans tell you that?</p> <p>7 A It was right -- I would say right away,</p> <p>8 between June and July -- between July and August.</p> <p>9 Q So between July and August of 2017</p> <p>10 Mr. Evans told you that if customers asked for</p> <p>11 a track record or performance for firm customers,</p> <p>12 you were to tell them that you couldn't distribute</p> <p>13 those results?</p> <p>14 A I could not talk about those results</p> <p>15 based on our customers, right.</p> <p>16 Q Did you push back on that at all?</p> <p>17 A No.</p> <p>18 Q Why not?</p> <p>19 A Because I was new to the business</p> <p>20 and I didn't understand it, and the explanation that</p> <p>21 he gave me sounded legit at that time.</p> <p>22 Q It's not. What did you --</p> <p>23 A I understand that now.</p> <p>24 Q Why do you understand that now?</p>
<p style="text-align: right;">Page 126</p> <p>1 Q What do you mean by that?</p> <p>2 A I mean, yes, I was interested, of course,</p> <p>3 but, no, I wasn't interested in overall.</p> <p>4 Q Why not?</p> <p>5 A Just because, you know, based on</p> <p>6 what I was told with his expertise and everything,</p> <p>7 that -- and the changes that were made, I was</p> <p>8 promised that everything was going to be moving</p> <p>9 better forward while under his management.</p> <p>10 Q Who told you that?</p> <p>11 A Jim Donelson.</p> <p>12 MR. PATRICK: Did your customers ever</p> <p>13 ask you how the firm's trading results were</p> <p>14 on an overall basis?</p> <p>15 THE WITNESS: Yes.</p> <p>16 MR. PATRICK: And what did you tell them?</p> <p>17 THE WITNESS: They varied from customer</p> <p>18 to customer.</p> <p>19 BY MR. BURDEN:</p> <p>20 Q That's what you told customers?</p> <p>21 A Yeah.</p> <p>22 Q Is that what you told them every time</p> <p>23 they asked?</p> <p>24 A No. Sometimes I told them we're not</p>	<p style="text-align: right;">Page 128</p> <p>1 A Well, because I'm here.</p> <p>2 Q Well, why do you think that you wouldn't</p> <p>3 be able to share, you know, the performance of the</p> <p>4 firm's recommended trades with customers? Like why</p> <p>5 would you believe Mr. Evans?</p> <p>6 A Because the explanation that he gave</p> <p>7 me, saying that we're not a CTA, a hedge fund or</p> <p>8 a commodity pool.</p> <p>9 Q But you're a Series 3 license holder,</p> <p>10 right?</p> <p>11 A Yes.</p> <p>12 Q I mean, did anybody ever tell you</p> <p>13 that in the course of your employment or your</p> <p>14 training?</p> <p>15 A No.</p> <p>16 Q So why believe Mr. Evans?</p> <p>17 A Because he was my boss and he had more</p> <p>18 experience than I did.</p> <p>19 Q So over time you came to see that Long</p> <p>20 Leaf Trading customers were losing money overall,</p> <p>21 is that fair to say?</p> <p>22 A Yes.</p> <p>23 Q So did you continue to refuse to</p> <p>24 provide Long Leaf's track record to customers?</p>

<p style="text-align: right;">Page 129</p> <p>1 A Based on what I was told to say, yes.</p> <p>2 Q But don't you think that's misleading</p> <p>3 to the customers?</p> <p>4 A Well, I mean, markets change, you</p> <p>5 know, whenever -- you know, second by second.</p> <p>6 I mean, they could realize a gain one day and</p> <p>7 a loss the next day.</p> <p>8 Q But you didn't see fit to tell customers</p> <p>9 that Long Leaf Trading loses money for its clients</p> <p>10 overall?</p> <p>11 A No, I did not.</p> <p>12 Q Why?</p> <p>13 A Just because I know the markets change</p> <p>14 and opportunity changes.</p> <p>15 Q But did you ever --</p> <p>16 A Based on the strategies, one strategy</p> <p>17 will work one day and it wouldn't work the next</p> <p>18 based on market conditions.</p> <p>19 Q I mean, did it ever bother you to</p> <p>20 try to sell these investments to people and not to</p> <p>21 tell them about Long Leaf's track record?</p> <p>22 A Well, like I said, the market conditions</p> <p>23 change. So if market conditions change, one trade</p> <p>24 that was a loss could be a winner based on different</p>	<p style="text-align: right;">Page 131</p> <p>1 (Whereupon CFTC Exhibit No. 36 was</p> <p>2 marked for identification, MM.)</p> <p>3 Q All right. Mr. Gecas, I'm going</p> <p>4 to hand you what I've marked as CFTC Exhibit 36.</p> <p>5 Do you recognize this document?</p> <p>6 A Yes.</p> <p>7 Q Can you tell me what it is, please.</p> <p>8 A It's a statement.</p> <p>9 Q All right. And is this a statement for</p> <p>10 your customers?</p> <p>11 A I don't recall.</p> <p>12 Q So we've got a sales code here --</p> <p>13 A Well, if it's mine, yes. Then I just</p> <p>14 don't remember every single one of my customers,</p> <p>15 especially that long ago.</p> <p>16 Q All right. So what I've handed to</p> <p>17 you is a Gain statement that was emailed to you</p> <p>18 on November 1st of 2017.</p> <p>19 A Well, it says Kingsview and I don't know</p> <p>20 why it says Kingsview.</p> <p>21 Q Yeah, I don't know why either.</p> <p>22 MR. BURDEN: You know what, give</p> <p>23 me a second. Could we go off the record.</p> <p>24</p>
<p style="text-align: right;">Page 130</p> <p>1 market conditions.</p> <p>2 Q That's not what I asked you. I asked</p> <p>3 did it bother you.</p> <p>4 A Yes, it bothered me, of course.</p> <p>5 Q Why did it bother you?</p> <p>6 A Because I didn't like the past</p> <p>7 performance, but past performance is not necessarily</p> <p>8 indicative of future performance.</p> <p>9 Q All right. Did you receive statements</p> <p>10 from Gain for your customers?</p> <p>11 A Yes.</p> <p>12 Q How frequently did you receive them?</p> <p>13 A I believe I received them daily.</p> <p>14 Q All right. Did you look at the statements?</p> <p>15 A Not often.</p> <p>16 Q Why?</p> <p>17 A Because I was told that Jim -- that</p> <p>18 either Tim Evans would handle the statements or</p> <p>19 Jim Donelson would handle the statements.</p> <p>20 MR. BURDEN: All right. But I'm going</p> <p>21 to hand you one, just so we have something to</p> <p>22 talk about.</p> <p>23</p> <p>24</p>	<p style="text-align: right;">Page 132</p> <p>1 (Whereupon a recess was taken from</p> <p>2 1:38 p.m., to 1:45 p.m., after which</p> <p>3 the following proceedings were had:)</p> <p>4 MR. BURDEN: Back on the record, please.</p> <p>5 Q All right. Sorry for the delay, but</p> <p>6 it'll clear up some confusion. So here's Exhibit 36</p> <p>7 back. Mr. Gecas, I've handed you what we've marked</p> <p>8 as Exhibit 36. You can see it's a cover email with</p> <p>9 an attachment. Do you recognize this document?</p> <p>10 A Yes.</p> <p>11 Q Can you tell me what it is, please.</p> <p>12 A It looks like the account statements.</p> <p>13 Q All right. These are account statements</p> <p>14 you received every day from Gain, correct?</p> <p>15 A I believe so. Not every day. Some --</p> <p>16 I don't know what happened sometimes. But, yeah,</p> <p>17 for the most part every day.</p> <p>18 Q Okay. So I was asking you before did you</p> <p>19 review these statements?</p> <p>20 A On occasion.</p> <p>21 Q How occasionally?</p> <p>22 A Not -- I would say less than once a week.</p> <p>23 Q And you know how to read these statements,</p> <p>24 correct?</p>

Page 133

1 A In the beginning I had no clue how to
 2 read these statements. What was explained to me
 3 how to read these statements was still a little bit
 4 unclear, but I got the gist of it. I was only told
 5 to look at net liquidating value.
 6 Q Okay. Who told you that?
 7 A Tim Evans and Jim Donelson. How it
 8 was communicated to me, the only number you need
 9 to worry about is net liquidating value.
 10 Q What did Mr. Evans say to you exactly, or
 11 as close as you can remember?
 12 A Oh, God. As far as I can remember,
 13 they both said the same thing. The only thing
 14 you've got to worry about is net liquidating value.
 15 Q So what do you mean, the only thing
 16 you've got to worry about is net liquidating value?
 17 What do you mean, worry about it? Why is that the
 18 only number you've got to care about?
 19 A If anyone asks what their account
 20 is at that point in time, it's the net liquidating
 21 value.
 22 Q And that's what Mr. Evans told you?
 23 A Yes.
 24 Q And Mr. Donelson told you the same thing?

Page 134

1 A Yes. And if there was any issue, refer
 2 the client to either one of them.
 3 Q Got it. So, you know, it sounds like
 4 you have quite a long history as an actual options
 5 trader, correct?
 6 A Right. My statements had nothing to do --
 7 look nothing like this.
 8 Q So that was my next question. Like
 9 why did you have trouble reading this? It seems
 10 like you ought to be able to.
 11 A Well, for a lot of reasons. So, No. 1,
 12 it was in equities when I was trading. No. 2, it
 13 would be P&L plus/minus 10 percent, 20 percent,
 14 30 percent, 50 percent as well as haircut as well
 15 as margin.
 16 Q All right. So when you received
 17 these Gain statements, you were told just to
 18 look at net liq and that was the indicator of what
 19 was in the account?
 20 A Yes.
 21 Q All right. So did you later come
 22 to have a more detailed appreciation for these
 23 statements?
 24 A Not really, no.

Page 135

1 Q So to this day net liq is sort of the
 2 thing you understand that's important?
 3 A To this day I understand a little bit
 4 more about these statements now than I did before.
 5 Q All right. So let's turn, if we
 6 could, in Exhibit 36 to really the middle of it.
 7 And what I want to show you is Account Sequence
 8 Status Report. And if you sort of flip through the
 9 pages until they go from like vertically oriented
 10 to horizontally oriented, you'll find it.
 11 A Okay.
 12 Q All right. So you see this Account
 13 Sequence Status Report?
 14 A Yes.
 15 Q What do you understand this to mean?
 16 A Other than --
 17 Q What is this?
 18 A I'm guessing it's account sequence
 19 status report.
 20 Q Well, is this a part of the daily
 21 statements from Gain that you looked at while you
 22 were at Long Leaf?
 23 A No, this is not anything I looked at.
 24 Q Okay. Why not?

Page 136

1 A I don't know.
 2 Q So let's look at this first page.
 3 You'll see it's -- the account is Midland IRA FBO
 4 Shaver. Do you see that? It's in the top left-hand
 5 corner (indicating).
 6 A Oh, yes.
 7 Q So you'll see there's MTD, YTD and LTD
 8 amounts. Do you see that?
 9 A Yes.
 10 Q Do you know what that means?
 11 A No, I don't.
 12 Q Do you see where it says Profit & Loss
 13 towards the bottom? Do you understand what that
 14 means?
 15 A Well, I understand what profit and loss is.
 16 Q Well, so do you understand this to indicate
 17 that the MTD for this account --
 18 A Is that month-to-date amount?
 19 Q I'm asking you if you know. I can't --
 20 A That's the only thing I could -- I would
 21 say month-to-date amount.
 22 Q All right. And it looks like --
 23 A I don't know what LTD is.
 24 Q Do you think life to date is what it

<p style="text-align: right;">Page 137</p> <p>1 could be?</p> <p>2 A It could be.</p> <p>3 Q What's YTD? Do you know what that is?</p> <p>4 A Is that year to date?</p> <p>5 Q Is that an acronym you've heard before,</p> <p>6 YTD?</p> <p>7 A In the past, yes.</p> <p>8 Q Okay. And what did it mean then?</p> <p>9 A Year to date.</p> <p>10 Q All right. So let's assume for</p> <p>11 the purposes of looking at Exhibit 36 that that</p> <p>12 indicates year-to-date amounts. So what's the</p> <p>13 profit and loss for this account for the year to</p> <p>14 date?</p> <p>15 A Is that a debit of 749.50?</p> <p>16 Q What are you looking at there?</p> <p>17 A Or is that the fees? No, that's fees.</p> <p>18 Q All right. So it sounds like you do not</p> <p>19 know how to read this at all.</p> <p>20 A Okay.</p> <p>21 Q Is that correct?</p> <p>22 A Okay. Well, year-to-date amounts,</p> <p>23 negative 45,004.03.</p> <p>24 Q So that's what I was looking at.</p>	<p style="text-align: right;">Page 139</p> <p>1 Trading, correct?</p> <p>2 A Yes.</p> <p>3 Q And you make them to dozens of customers</p> <p>4 correct?</p> <p>5 A Yes.</p> <p>6 Q And those customers mostly take</p> <p>7 those recommendations, is that fair to say?</p> <p>8 A For the most part.</p> <p>9 Q So do you check and see how those</p> <p>10 recommendations turn out for people?</p> <p>11 A On occasion.</p> <p>12 Q Only on occasion?</p> <p>13 A I was not in charge of the exit,</p> <p>14 so I was charged in designing the trade. And Jim</p> <p>15 Donelson or -- well, I didn't design anything for</p> <p>16 Tim, but Jim Donelson would handle the exits.</p> <p>17 Q But you're recommending these trades</p> <p>18 to people. Didn't you want to know if those trades</p> <p>19 were profitable?</p> <p>20 A Yes.</p> <p>21 Q Well, why didn't you check and see</p> <p>22 if they were?</p> <p>23 A I don't know. Because it wasn't -- I don't</p> <p>24 know.</p>
<p style="text-align: right;">Page 138</p> <p>1 A Okay.</p> <p>2 Q And my question is are those the</p> <p>3 losses from the year to date on this account and --</p> <p>4 A I would assume so.</p> <p>5 Q Why do you think that?</p> <p>6 A Because that's what it says.</p> <p>7 Q All right. So if you flip through</p> <p>8 this, you will see that there are losses for every</p> <p>9 account on a year-to-date basis. Is that a surprise</p> <p>10 to you?</p> <p>11 A Yes.</p> <p>12 Q Why?</p> <p>13 A Because I was under the impression that</p> <p>14 some of the clients did make money.</p> <p>15 Q Where did you get that impression from?</p> <p>16 A From Tim Evans as well as Jim Donelson.</p> <p>17 Q All right. Did you ever go and check</p> <p>18 to see if that was true?</p> <p>19 A No, I did not.</p> <p>20 Q Why not?</p> <p>21 A Because I have no reason not to trust</p> <p>22 them. Well, until now.</p> <p>23 Q Well, you're making recommendations</p> <p>24 to customers every month that you're at Long Leaf</p>	<p style="text-align: right;">Page 140</p> <p>1 FURTHER EXAMINATION</p> <p>2 BY MR. PATRICK:</p> <p>3 Q So during the time that you were</p> <p>4 making trade recommendations on behalf of Long</p> <p>5 Leaf Trading's customers or you were putting</p> <p>6 those --</p> <p>7 A Right.</p> <p>8 Q -- proposed recommendations together</p> <p>9 and then providing them to Mr. Donelson for his</p> <p>10 approval, you were doing that every month and four</p> <p>11 trades per month, right?</p> <p>12 A Correct.</p> <p>13 Q And that was roughly from about you said</p> <p>14 February of 2018?</p> <p>15 A Right.</p> <p>16 Q Through the time that you left the</p> <p>17 firm, which was --</p> <p>18 A Right, December.</p> <p>19 Q -- December of '18. So 10 months</p> <p>20 or so, 4 trades per month, that's about 40 trade</p> <p>21 recommendations that you did. Does that sound about</p> <p>22 right?</p> <p>23 A Right.</p> <p>24 Q And so as month to month you're making</p>

<p style="text-align: right;">Page 141</p> <p>1 these recommendations, are you ever going back 2 to see how those recommendations turned out for the 3 customers? 4 A Yes. 5 Q And how did they turn out? 6 A It really depended on the month and it 7 depended on -- some of the positions worked out, 8 some of them did not. 9 Q And so your recollection is there were 10 some months where the recommendations did work out 11 and customers made money? 12 A Correct. 13 Q Do you remember which months those were? 14 A No, I don't. Not offhand. 15 FURTHER EXAMINATION 16 BY MR. BURDEN: 17 Q Did you keep track of how customers 18 were doing overall, not just on a month-to-month 19 basis? 20 A I did not keep track, no. 21 Q But you can see it in the statements that 22 are sent to you every day, correct? 23 A Yeah, but I did not look at the statements 24 every day.</p>	<p style="text-align: right;">Page 143</p> <p>1 at them? 2 THE WITNESS: I was looking at the markets, 3 yes. 4 BY MR. BURDEN: 5 Q But were you looking at customer 6 statements? 7 A No. 8 Q So you're just looking at the market, 9 and you sort of intuit from that that customers 10 made money? 11 A Yes. 12 Q But why didn't you check? 13 A I don't know. 14 Q Also I think you just testified that 15 Mr. Donelson and Mr. Evans were responsible for 16 exiting the trades, correct? 17 A Yes. 18 Q So how could you tell from looking 19 at the market if the trade is profitable or not? 20 You don't watch them exit the trade, do you? 21 A I don't watch them exit it, no. But 22 if the market is going in that direction, positions 23 should be profitable at that point. 24 Q Did you know if they were?</p>
<p style="text-align: right;">Page 142</p> <p>1 Q I don't understand why. 2 A I was just told to refer any of the 3 statement questions to Jim Donelson or Tim Evans. 4 Q But you're making these recommendations, 5 and after January of 2018 you were the one that 6 generated the recommendations, correct? 7 A Yes. 8 Q And you have no idea if customers were 9 making or losing money with these? 10 A Some of them did make money. 11 Q Which ones? 12 A I don't know. 13 MR. PATRICK: How did you know that some 14 of them were making money? 15 THE WITNESS: Some of the positions worked 16 out. 17 MR. PATRICK: How did you know that -- 18 THE WITNESS: I mean, not every position 19 lost money. I know that. 20 MR. PATRICK: But, I mean, how did you 21 know that some of them worked out? 22 THE WITNESS: Because just from me watching 23 the market. 24 MR. PATRICK: So you were looking back</p>	<p style="text-align: right;">Page 144</p> <p>1 A I didn't know specifically if they were. 2 I know that some of the positions did lose money and 3 some of them did make money. 4 Q So I want to drill down on this idea 5 that some of the positions made money. So every 6 month you recommend four trades to your client, 7 correct? 8 A Yes. 9 Q So when you say that some months 10 the positions made money, do you mean that some 11 months one of those four trades made money or two 12 of those four trades made money or do you mean all 13 four trades made money? 14 A It was very rare that all four trades 15 made money. 16 Q But I'm asking you what you're -- 17 when you describe a position, when you say these 18 positions -- your testimony was that there were 19 positions that made money, correct? 20 A Yes. 21 Q And you can't recall any of those positions 22 sitting here today, right? 23 A Right. 24 Q So when you say a position made money,</p>

<p style="text-align: right;">Page 145</p> <p>1 you just mean that one or more of those four 2 trades was profitable, is that correct? 3 A Yes. 4 Q But it was rare -- was there ever 5 a time where all four trades were profitable? 6 A I believe so, yes. 7 Q When was that? 8 A I don't recall. 9 Q Was it during your tenure? 10 A I believe so, yes. 11 Q And you don't remember when? 12 A No. 13 MR. PATRICK: Do you remember 14 if it was trades that you recommended, was 15 it during that time period where these were 16 trades that you were constructing? 17 THE WITNESS: I believe so. 18 BY MR. BURDEN: 19 Q You know, these trades were made 20 on a month to month -- I should say there was 21 a recommendation of four trades made to Long Leaf 22 customers every month, correct? 23 A Yes. 24 Q Would it be fair to refer to all</p>	<p style="text-align: right;">Page 147</p> <p>1 THE WITNESS: I did not. That was 2 not part of my design. I was not designing 3 the commission rate into the spread. That was 4 Jim Donelson. 5 BY MR. BURDEN: 6 Q All right. So my question to you is 7 during your time at Long Leaf, how many months were 8 profitable for customers? And I'm not referring to 9 calendar months. I'm referring to -- 10 A Honestly, I don't know. 11 Q Well, I think you testified just 12 now that there was at least one occasion where all 13 four recommended trades were profitable, correct? 14 A Yes. 15 Q So there must have been some months where 16 everybody made money, is that right? 17 A I would assume if all four trades 18 worked out, yes. I don't recall which month that 19 was. 20 Q So when you say there were months 21 where a trade was profitable, you're not including 22 commissions in that? 23 A My trade design did not include 24 commissions.</p>
<p style="text-align: right;">Page 146</p> <p>1 four of those together as -- I'm not doing a good 2 job of this. 3 MS. STREIT: Was the idea that the four 4 together would make money? 5 THE WITNESS: As a combined, yes. 6 MR. PATRICK: What about trades within 7 the particular trade, so legs of the spread? 8 I mean, you would not refer to a particular 9 leg as being profitable, even though the spread 10 itself was unprofitable? 11 THE WITNESS: No. 12 MR. PATRICK: You wouldn't look at that 13 as a profitable trade, correct? 14 THE WITNESS: No. 15 MR. PATRICK: Because only one of 16 the spread legs might have actually had P&L, 17 positive P&L but the rest of them lost. That 18 would still be in your view a losing trade, 19 correct? 20 THE WITNESS: Correct. 21 MS. STREIT: And when you considered 22 whether the trade as a whole was profitable 23 or not profitable, would you consider the 24 commissions the customer paid?</p>	<p style="text-align: right;">Page 148</p> <p>1 Q All right. So did customers ever 2 call you and complain that their accounts were 3 down? 4 A Yes. 5 Q How many times do you think that happened? 6 A I don't recall. 7 Q Was it more than ten? 8 A I would think so, yes. 9 Q Was it more than -- well, I should 10 ask would it be fair to say that you got complaints 11 from customers that their accounts were down on 12 a weekly basis? 13 A I would not say on a weekly basis, no. 14 Q How frequently do you think? 15 A I don't know. I don't recall. 16 Q Is it fair to say that you frequently 17 received complaints from customers that their 18 accounts were down? 19 A I wouldn't say frequently. I would 20 say -- if I had to guess, I would say every other 21 month, every three months. 22 (Whereupon CFTC Exhibit No. 37 was 23 marked for identification, MM.) 24 Q All right. I want to hand you what I've</p>

Page 149

1 marked CFTC Exhibit 37, and you'll see it's a group
2 exhibit comprised of many emails. I want you to
3 take a look at it and tell me if you recognize
4 the emails in Group Exhibit 37.

5 A Yes.

6 Q All right. Do you recognize the documents
7 in Exhibit 37?

8 A Yes.

9 Q All right. Is it fair to characterize
10 these as customer complaints to you about poor
11 account performance?

12 A Yes.

13 Q So what did you do with these complaints?

14 A I gave them to Jim Donelson.

15 Q Why did you do that?

16 A Because that's -- or Tim Evans. That was
17 what I was told to do.

18 Q Who told you to do that?

19 A Tim Evans and Jim Donelson.

20 Q And do you know what Mr. Evans would
21 do with the customer complaints?

22 A He would call them either in the
23 office or walk outside of the office and talk to
24 them.

Page 150

1 Q Okay. Did you ever hear what Mr. Evans
2 was saying to these complainants?

3 A Bits and pieces and not enough
4 to recall any type of straight conversation.

5 Q Yeah. So this is what I'm getting
6 at, is do you know how Mr. Evans dealt with these
7 complaining customers?

8 A No, I don't.

9 Q All right. Same question for Mr. Donelson.

10 A He would do the same thing.

11 Q Did you ever hear --

12 A Or he would write them an email, but
13 I would never see the email.

14 Q Did you ask to see the email?

15 A No.

16 Q So did you ever say to Mr. Evans,
17 you know, how did you deal with, you know,
18 Jim McDaniel, who as you'll see in Exhibit 37
19 is complaining in November of 2017 that his account
20 is down 80 percent?

21 A He would tell me that that's part
22 of the risk in trading, that you're not going
23 to win 100 percent. The market conditions change
24 second by second, what was on, markets changed and

Page 151

1 it went the other way and that's what was explained
2 to me.

3 Q So did you ever deal with, you know,
4 an angry customer, a customer who's complaining
5 that their account was down?

6 A I have taken calls from angry customers
7 and then I had to refer them to either Tim or Jim
8 Donelson.

9 Q All right. So can you remember the names
10 of any of those customers?

11 A No.

12 Q Was there a way that you were instructed
13 to deal with those customers?

14 A Talk to them very nicely, don't get
15 upset, don't insult them. I mean, basic customer
16 service.

17 Q Well, was there anything that you said
18 to them that Mr. Evans told you to say?

19 A Just based on market conditions and
20 how everything changes second by second and stuff
21 like that.

22 Q Well, what did Mr. Evans tell you to say
23 to angry customers?

24 A He tried to calm them down and say we're

Page 152

1 going to try to do better next time.

2 Q That's what Mr. Evans told you to say?

3 A Yes.

4 Q What did Mr. Donelson tell you to say?

5 A Pretty much the same thing as well as
6 refer the client to them. I do believe there was
7 one instance where we had all four trades lose in
8 a single month, and Jim Donelson wrote a big email
9 and sent it out to all of them.

10 Q Was that maybe January of '18?

11 A Could have been. I don't remember.

12 Q So I want you to, if you would,
13 please, take a look at the dates of the emails
14 in Exhibit 37, our Group Exhibit 37. So we've got
15 a complaint from Jim McDaniel saying the account is
16 in trouble, down by 80 percent. Jim McDaniel,
17 was he one of your customers?

18 A I believe so.

19 Q And the date on that is November 29th
20 of 2017, right?

21 A Yes.

22 Q All right. So if you look at the next
23 email, that's from John Dugan. Is he a customer of
24 yours?

<p style="text-align: right;">Page 153</p> <p>1 A I believe so.</p> <p>2 Q All right. And he says, "It appears</p> <p>3 my account which started at 25,000 is now worth</p> <p>4 less than \$5,000." And what's the date on that?</p> <p>5 A January 19, 2018.</p> <p>6 Q All right. So next email, this is</p> <p>7 another one from someone named Clint. Do you know</p> <p>8 who this customer is?</p> <p>9 A I believe so.</p> <p>10 Q Who is that?</p> <p>11 A He was one of my customers.</p> <p>12 Q Do you remember his last name?</p> <p>13 A I don't. I do not.</p> <p>14 Q All right. So he says, "How long</p> <p>15 until my account goes to zero? Is it time to</p> <p>16 just close it?" What's the -- he says, "Send</p> <p>17 me an email telling me what's been going on and</p> <p>18 why I should stay. No phone calls." Did you send</p> <p>19 Mr. Clint --</p> <p>20 A I referred it to Jim Donelson.</p> <p>21 Q Did you send anything to Clint?</p> <p>22 A I'm not positive. If I did, it was</p> <p>23 something Jim wrote, sent to me to send to him.</p> <p>24 Q And what's the date on this email?</p>	<p style="text-align: right;">Page 155</p> <p>1 about an \$18,000 loss, is that right?</p> <p>2 A It looks like that, yes.</p> <p>3 Q And he sent this email to you?</p> <p>4 A I believe so.</p> <p>5 Q What's the date on that?</p> <p>6 A 2/13.</p> <p>7 Q All right. Another one from Clint. Who</p> <p>8 is Larry Rea?</p> <p>9 A He was a client.</p> <p>10 Q Is he a client of yours?</p> <p>11 A Yes.</p> <p>12 Q All right. And it looks like he's</p> <p>13 complaining here, "In reviewing my statements I am</p> <p>14 reading you have lost about \$50,000 in the time I</p> <p>15 have been with you. This is totally unacceptable</p> <p>16 and I want to know where the 78 percent winning</p> <p>17 rate has been all this time." Did you respond</p> <p>18 to this email?</p> <p>19 A I don't recall. I don't know where he</p> <p>20 got the 78 percent winning rate, though.</p> <p>21 Q I think he probably meant 76.5 percent,</p> <p>22 don't you think?</p> <p>23 A It might be.</p> <p>24 Q Because you told him that, right?</p>
<p style="text-align: right;">Page 154</p> <p>1 A January 26th.</p> <p>2 Q All right. Let's look at this next</p> <p>3 one. This is an email from Terry Groom. Is Terry</p> <p>4 a customer of yours?</p> <p>5 A I believe so.</p> <p>6 Q He says, "It looks like we are still</p> <p>7 losing ground, and I still haven't seen anything of</p> <p>8 Sherry's IRA yet." Do you know what he's talking</p> <p>9 about there, this IRA?</p> <p>10 A He did have two accounts. One was in his</p> <p>11 name, one was in his wife's name.</p> <p>12 Q Was that his wife's IRA?</p> <p>13 A I believe so.</p> <p>14 Q And what's the date on that email?</p> <p>15 A January 29th.</p> <p>16 Q So let's look at the next one here.</p> <p>17 Oh, it's another Jim McDaniel one. Let's skip</p> <p>18 that. And if you look at this next one, we've got</p> <p>19 an email from geomac5. Who's geomac5?</p> <p>20 A I don't recall.</p> <p>21 Q Is that the email address of a client</p> <p>22 of yours?</p> <p>23 A Yes.</p> <p>24 Q All right. So this person is complaining</p>	<p style="text-align: right;">Page 156</p> <p>1 A No, that's not what I told him our</p> <p>2 win rate is. 76-1/2 percent of options expire</p> <p>3 worthless, which is true, but that has nothing to</p> <p>4 do with the win rate.</p> <p>5 Q So what's the date on this email for</p> <p>6 Mr. Rea?</p> <p>7 A 3/14.</p> <p>8 Q All right. Let's take a look at the</p> <p>9 next page, if we could, please. Who is David Owens?</p> <p>10 A He's a client.</p> <p>11 Q Is he a client of yours?</p> <p>12 A Yes.</p> <p>13 Q So he says, "Scott, this has not been</p> <p>14 a fun ride. I am down over 50 percent and don't see</p> <p>15 any way to keep up." What did you do about this?</p> <p>16 A I asked him to continue, lower his</p> <p>17 contracts to one contract and see if we can make</p> <p>18 some ground.</p> <p>19 Q Did you make some ground?</p> <p>20 A I don't recall.</p> <p>21 Q What's the date on this email?</p> <p>22 A 6/1.</p> <p>23 Q All right. So let's look at the next page.</p> <p>24 Who's John Conlon?</p>

<p style="text-align: right;">Page 157</p> <p>1 A He's a client.</p> <p>2 Q Is he a client of yours?</p> <p>3 A Yes.</p> <p>4 Q So he's saying, "I am wondering</p> <p>5 if all the accounts at Long Leaf had performed</p> <p>6 as poorly as mine." What's the date on that email,</p> <p>7 please.</p> <p>8 A 6/5.</p> <p>9 Q All right. So let's look at the</p> <p>10 next page. It's another one from Mr. Clint and he</p> <p>11 says, "Do not make any further trades in my account.</p> <p>12 Please close all positions. It's pretty simple.</p> <p>13 I've lost 55 percent in the last year and 46 percent</p> <p>14 since the end of 2017." What's the date on that</p> <p>15 email from Mr. Clint?</p> <p>16 A 7/17.</p> <p>17 Q All right. So let's look at the next</p> <p>18 page. Ken Bernstein, is that a customer of yours?</p> <p>19 A I don't recall.</p> <p>20 Q Well, he sent this email to you, didn't he?</p> <p>21 A Yeah. Well, then yeah, I guess he is.</p> <p>22 Q All right. So he says, "Hello, Scott:</p> <p>23 Do not implement your firm's recommendations for</p> <p>24 further trades in my account. Since inception six</p>	<p style="text-align: right;">Page 159</p> <p>1 is it fair to say that you consistently received</p> <p>2 complaints from customers about losses in their</p> <p>3 accounts during --</p> <p>4 A Yes.</p> <p>5 Q -- your tenure at Long Leaf?</p> <p>6 A Yes.</p> <p>7 Q And you continued to pitch Long</p> <p>8 Leaf's services to customers, is that correct?</p> <p>9 A Yes.</p> <p>10 Q Why did you do that?</p> <p>11 A Because the market conditions do change.</p> <p>12 Q Did they change for these customers?</p> <p>13 A I don't recall.</p> <p>14 (Whereupon CFTC Exhibit No. 38 was</p> <p>15 marked for identification, MM.)</p> <p>16 Q All right. I want to hand you what</p> <p>17 I've marked as CFTC Exhibit 38. Do you recognize</p> <p>18 this document?</p> <p>19 A I guess -- I don't recognize it. I know</p> <p>20 I got it in my email but, no, I don't recognize it.</p> <p>21 Q Okay. So it's an email from Mr. Donelson</p> <p>22 to you dated January 19, 2018 and the title is Dugan</p> <p>23 Analysis. Do you know who Dugan is?</p> <p>24 A He was, I'm guessing, one of my clients.</p>
<p style="text-align: right;">Page 158</p> <p>1 months ago your firm's recommendations have led to</p> <p>2 a 35 percent decline in the value of my holdings.</p> <p>3 My remaining holdings include another disaster</p> <p>4 in silver futures." I guess that last sentence</p> <p>5 wasn't that relevant. What's the date on this</p> <p>6 email?</p> <p>7 A 7/25.</p> <p>8 Q So let's look at the next email. Who's</p> <p>9 Liliana Zhu?</p> <p>10 A I can't recall.</p> <p>11 Q Is that a customer of yours?</p> <p>12 A I don't recall.</p> <p>13 Q So if you look Liliana says, "Who is the</p> <p>14 new broker? My \$10,000" --</p> <p>15 A Oh, yeah.</p> <p>16 Q So does that jog your memory?</p> <p>17 A Apparently I am, yeah.</p> <p>18 Q Okay. "Who is the new broker? My</p> <p>19 \$10,000 account only has around \$3,000 balance</p> <p>20 left. I want to leave Long Leaf Trading Group and</p> <p>21 trade on my own." What's the date on that email?</p> <p>22 A 8/13.</p> <p>23 Q All right. And then another one</p> <p>24 from Jim McDaniel. So looking at Group Exhibit 37,</p>	<p style="text-align: right;">Page 160</p> <p>1 Q Why are you guessing that?</p> <p>2 A Because I don't recall every client's</p> <p>3 name.</p> <p>4 Q Okay. So I want to show you the</p> <p>5 second page of this exhibit, this Dugan Analysis</p> <p>6 Spreadsheet as it's titled. And I just want to ask</p> <p>7 you if you recognize this, if you've seen it before,</p> <p>8 if you can tell me what it is.</p> <p>9 A It looks like an overall account statement</p> <p>10 or results of trades or something.</p> <p>11 Q So do you know how Mr. Donelson generated</p> <p>12 this?</p> <p>13 A I have no idea how he did this.</p> <p>14 Q Yeah. You know what, if you don't</p> <p>15 know, I won't press you on it further. But the</p> <p>16 thing I'm most interested in is it looks like if</p> <p>17 you see the A column and the B column, you see</p> <p>18 there's a trade month and an exit month?</p> <p>19 A Yes.</p> <p>20 Q Right, so then you see this contract.</p> <p>21 Do you see that?</p> <p>22 A Yes.</p> <p>23 Q So what I'm trying to figure out is what</p> <p>24 that indicates. Can you tell me?</p>

<p style="text-align: right;">Page 161</p> <p>1 A What the contract is?</p> <p>2 Q No. You know, what this looks like</p> <p>3 to me -- and I want you to tell me if you know or</p> <p>4 if you agree -- is that Mr. Donelson has generated</p> <p>5 a history for Mr. Dugan's account, but the history</p> <p>6 importantly is not laid out in terms of individual</p> <p>7 trades but of trades as they were recommended by</p> <p>8 Long Leaf Trading. So if you look, he's got his</p> <p>9 trade month and you see it just says August.</p> <p>10 A Right.</p> <p>11 Q Right? And it says August T-bond,</p> <p>12 and then it says exit month and it says September.</p> <p>13 Then it has a contract and it has a strike, it</p> <p>14 has a factor. And then it goes on to provide other</p> <p>15 information we've seen in other spreadsheets, such</p> <p>16 as --</p> <p>17 A Right.</p> <p>18 Q -- you know, net liq and stuff like</p> <p>19 that. And what I want to know is have you seen</p> <p>20 this document before or other documents like it?</p> <p>21 A I'm sure I have, but I don't recall any</p> <p>22 of them. I don't remember any of this.</p> <p>23 Q Okay. Well, you can put it aside then.</p> <p>24 A (Witness complies).</p>	<p style="text-align: right;">Page 163</p> <p>1 discussed, please send me ASAP a complete recap of</p> <p>2 all trading activity and related P&L per position</p> <p>3 since inception of my account. You said I would</p> <p>4 have this by end of last week." And it looks</p> <p>5 like Donelson is forwarding this to you, is that</p> <p>6 right?</p> <p>7 A It looks like it.</p> <p>8 Q All right. And then Donelson writes</p> <p>9 to you again and said, "Just need to update through</p> <p>10 current month. Same story as most, May was a huge</p> <p>11 loss." Do you see that?</p> <p>12 A Yes.</p> <p>13 Q All right. So did you discuss with</p> <p>14 Mr. Donelson what he meant by same story as most,</p> <p>15 May was huge loss?</p> <p>16 A I know May was a huge loss. I believe</p> <p>17 that was when we had all four contracts being a</p> <p>18 loss. I mean, that's what I would assume.</p> <p>19 Q So same story as most?</p> <p>20 A That I don't know what he means.</p> <p>21 Q You can put this one aside.</p> <p>22 A (Witness complies).</p> <p>23 Q You know, did Mr. Evans -- I mean, it</p> <p>24 sounds like during the time you worked at Long Leaf,</p>
<p style="text-align: right;">Page 162</p> <p>1 (Whereupon CFTC Exhibit No. 39 was</p> <p>2 marked for identification, MM.)</p> <p>3 Q All right. So, Mr. Gecas, I'm handing</p> <p>4 you what I've marked as CFTC Exhibit 39. Do you</p> <p>5 recognize this document?</p> <p>6 A Yes.</p> <p>7 Q Can you tell me what it is, please.</p> <p>8 A The spreadsheet or --</p> <p>9 Q Let's just start with the email, the</p> <p>10 spreadsheet, whatever you recognize.</p> <p>11 A Yes, I recognize the email.</p> <p>12 Q I mean, is this something that you</p> <p>13 remember or do you just recognize it as an email?</p> <p>14 A I just recognize it as an email.</p> <p>15 Q Got it, okay. So you'll see in</p> <p>16 Exhibit 39 there's an email from Gerry Drayer</p> <p>17 to you and to Mr. Donelson. Who's Gerry Drayer,</p> <p>18 please.</p> <p>19 A He's a client.</p> <p>20 Q Of yours?</p> <p>21 A I'm guessing, yes.</p> <p>22 Q Why are you guessing that?</p> <p>23 A Because it's on an email.</p> <p>24 Q So Mr. or Ms. Drayer says, "As</p>	<p style="text-align: right;">Page 164</p> <p>1 at least during Mr. Evans' tenure, is it fair to</p> <p>2 say that losses mounted in customer accounts, which</p> <p>3 is to say customers had lost more overall by the</p> <p>4 time Mr. Evans left?</p> <p>5 A Honestly, I don't recall but I think</p> <p>6 that is correct.</p> <p>7 Q Why do you think that's correct?</p> <p>8 A Just based on the strategies that he</p> <p>9 was using, overhearing other brokers complaining,</p> <p>10 and that would be my idea of what happened.</p> <p>11 Q So did Mr. Evans ever express surprise</p> <p>12 or dismay that his customers were losing money?</p> <p>13 A No.</p> <p>14 Q Did he ever say anything about it?</p> <p>15 A No.</p> <p>16 Q Did you ever ask him if he knew customers</p> <p>17 were losing money?</p> <p>18 A No.</p> <p>19 Q Why?</p> <p>20 A Because he said that his strategies</p> <p>21 work but they don't work all the time. So if they</p> <p>22 do lose money, it's understandable but the next</p> <p>23 opportunity will arise.</p> <p>24 Q Is that what he told you?</p>

<p style="text-align: right;">Page 165</p> <p>1 A That's what he told me.</p> <p>2 Q It seems odd to me that customers</p> <p>3 could lose so consistently and the person in</p> <p>4 charge of the firm would not express surprise</p> <p>5 or displeasure. Were you surprised by that?</p> <p>6 A I was a little bit surprised but,</p> <p>7 I mean, it wasn't my place to confront the owner</p> <p>8 of the company.</p> <p>9 Q But why not?</p> <p>10 A Because I was brand new to being</p> <p>11 in this business and trying to learn what was</p> <p>12 going on.</p> <p>13 Q But, I mean, you're your own man. You can</p> <p>14 quit and get another job, can't you?</p> <p>15 A Yeah.</p> <p>16 Q Why didn't you?</p> <p>17 A Just because this was brand new and</p> <p>18 this was something I was learning. So I was taking</p> <p>19 the opportunity to learn and learning how to handle</p> <p>20 losses as well as gains.</p> <p>21 Q And I think we established that</p> <p>22 you can't tell me when any gains were achieved?</p> <p>23 A Yeah, I can't recall.</p> <p>24 Q Or who achieved them?</p>	<p style="text-align: right;">Page 167</p> <p>1 Q So these customers, they have to log</p> <p>2 on to their computer to look at this presentation,</p> <p>3 right?</p> <p>4 A Yes.</p> <p>5 Q So how do you show them this presentation?</p> <p>6 They're not in the office with you, right?</p> <p>7 A No. It was a GoToMeeting or join.me or</p> <p>8 TeamViewer or some screen-sharing thing.</p> <p>9 Q And you would show this to customers?</p> <p>10 A Yes.</p> <p>11 Q All right. So let's flip, if we could,</p> <p>12 to the fifth page of Exhibit 40.</p> <p>13 A Okay.</p> <p>14 Q And it says Option Probabilities.</p> <p>15 "An average of 76.5 percent of all options held</p> <p>16 to expiration at the Chicago Mercantile Exchange</p> <p>17 expired worthless." Was this something you told</p> <p>18 to clients?</p> <p>19 A Yes.</p> <p>20 Q All right. So why did you tell them this?</p> <p>21 A It's true.</p> <p>22 Q How do you know it's true?</p> <p>23 A It's based on a CME study.</p> <p>24 Q All right. So have you ever looked at</p>
<p style="text-align: right;">Page 166</p> <p>1 A Correct.</p> <p>2 (Whereupon CFTC Exhibit No. 40 was</p> <p>3 marked for identification, MM.)</p> <p>4 Q All right. Mr. Gecas, I want to hand</p> <p>5 you what I've marked as CFTC Exhibit 40. Do you</p> <p>6 recognize this document?</p> <p>7 A Yes.</p> <p>8 Q Could you tell me what it is, please.</p> <p>9 A It looks like the script from Tim Evans.</p> <p>10 Q All right. So if you look at the</p> <p>11 first page of Exhibit 40, you'll see this is</p> <p>12 an email from Mr. Evans dated September 20, 2017 to</p> <p>13 you and a bunch of other people and it says Current</p> <p>14 Demo Deck, and it says Attachments Long Leaf Demo</p> <p>15 Deck.pptx. That's a Power Point presentation, as</p> <p>16 I'm sure you know, and the second page through the</p> <p>17 end of Exhibit 40 is that presentation. So is this</p> <p>18 a presentation you used with clients?</p> <p>19 A Yes.</p> <p>20 Q With prospective clients?</p> <p>21 A Yes.</p> <p>22 Q How did you use it?</p> <p>23 A By just walking them through the Power</p> <p>24 Point and explaining options.</p>	<p style="text-align: right;">Page 168</p> <p>1 that study?</p> <p>2 A Yes.</p> <p>3 Q And it said 76.5 percent of options</p> <p>4 expire worthless?</p> <p>5 A I believe so, yes.</p> <p>6 Q Does that mean that 76.5 percent of all</p> <p>7 options are profitable for the seller?</p> <p>8 A No.</p> <p>9 Q So how are those two things in dissonance?</p> <p>10 A I don't know how to explain that.</p> <p>11 Q So 76.5 percent of all Long Leaf</p> <p>12 Trading's trades while you were there, were they</p> <p>13 profitable?</p> <p>14 A No, not at that percentage.</p> <p>15 Q At what percentage?</p> <p>16 A That 76.5, that's not a percentage of</p> <p>17 success rate.</p> <p>18 Q So my question then is why would</p> <p>19 a customer care about this number if it's not a</p> <p>20 percentage success rate?</p> <p>21 A Because if -- depending on the strategy,</p> <p>22 what Tim Evans was using, were credit spreads and</p> <p>23 selling premium. So that's -- he would say that</p> <p>24 it's more advantageous to be an options seller</p>

<p style="text-align: right;">Page 169</p> <p>1 than buyer.</p> <p>2 Q But why would this be important information</p> <p>3 for a customer?</p> <p>4 A Because of the option -- if the</p> <p>5 customer's selling options, he had a higher</p> <p>6 probability of those options decreasing in value.</p> <p>7 Q So does this mean that 76.5 percent</p> <p>8 of all options will be profitable for the seller?</p> <p>9 A No.</p> <p>10 Q Did you explain that to customers?</p> <p>11 A On occasion. I don't recall. I know --</p> <p>12 I don't remember who I've said that to, but I have</p> <p>13 said that this is not a success rate. It's just</p> <p>14 a study based on the CME that 76-1/2 percent of</p> <p>15 options expire worthless.</p> <p>16 Q All right. So is that something you told</p> <p>17 to many customers?</p> <p>18 A Yes.</p> <p>19 Q What were their names?</p> <p>20 A No idea.</p> <p>21 Q So if I listen to your calls, or more</p> <p>22 of your calls than I've listened to, am I likely to</p> <p>23 come across you saying that to them?</p> <p>24 A Saying that 76-1/2 percent of options</p>	<p style="text-align: right;">Page 171</p> <p>1 A No, I did not.</p> <p>2 Q What did you think it was supposed</p> <p>3 to give to customers that was valuable for them to</p> <p>4 know?</p> <p>5 A Statistic.</p> <p>6 Q But how does this statistic help inform</p> <p>7 what they're supposed to do?</p> <p>8 A If they're an option seller, that's the</p> <p>9 expiring worthless rate.</p> <p>10 Q But does expiring worthless, does</p> <p>11 that mean that customers are going to make a profit</p> <p>12 76.5 percent of the time?</p> <p>13 A No.</p> <p>14 Q What percentage of the time are customers</p> <p>15 going to make a profit at Long Leaf?</p> <p>16 A I don't have that answer.</p> <p>17 Q All right. Let's keep flipping,</p> <p>18 please, until we get to the part where it talks</p> <p>19 about custom account design. There we go, all</p> <p>20 right. So we're looking at a page in Exhibit 40</p> <p>21 that says custom design. It says custom execution</p> <p>22 plan, custom education plan, custom communication</p> <p>23 plan. What is this custom design that Exhibit 40</p> <p>24 is referring to?</p>
<p style="text-align: right;">Page 170</p> <p>1 expire worthless, yes.</p> <p>2 Q No, I heard that. Saying that 76.5 percent</p> <p>3 is not a success rate, is not profitability.</p> <p>4 A No, no, I haven't -- I rarely said that</p> <p>5 on the phone.</p> <p>6 Q Why?</p> <p>7 A Because I was told to follow the script.</p> <p>8 Q You know, it seems to me that a normal</p> <p>9 customer would hear this 76.5 percent and assume</p> <p>10 that it refers to a success rate or a profitability,</p> <p>11 and I think we see that reflected in Exhibit 37, and</p> <p>12 the customer that sort of says that is Mr. Larry</p> <p>13 Rea. So you must have known that this is what</p> <p>14 customers were thinking, right, that this was</p> <p>15 76.5 percent profits?</p> <p>16 A I don't know what the customers were</p> <p>17 thinking.</p> <p>18 Q Did you ever ask them what their impression</p> <p>19 was of that?</p> <p>20 A No.</p> <p>21 Q Didn't it seem to you that this</p> <p>22 number is designed to mislead customers, to make</p> <p>23 them think that they were going to win 76.5 percent</p> <p>24 of the time?</p>	<p style="text-align: right;">Page 172</p> <p>1 A Well, the execution plan is based on</p> <p>2 what their risk tolerances would be, if they want to</p> <p>3 be more aggressive, less aggressive. The education</p> <p>4 plan was giving them all their ebooks, and then</p> <p>5 the communication plan would be when they're able to</p> <p>6 take calls, communicate at what their -- whatever</p> <p>7 they can do based on their time constraint.</p> <p>8 Q So my question with respect to this</p> <p>9 custom design and custom execution plan, so your</p> <p>10 testimony before was that every customer gets the</p> <p>11 same recommendations, right?</p> <p>12 A Correct.</p> <p>13 Q So help me understand, if you</p> <p>14 would, please, how there's custom design or custom</p> <p>15 execution. It seems like it's the same thing to me</p> <p>16 for everyone.</p> <p>17 A Well, it is but it isn't because</p> <p>18 we've had clients that don't want to take their</p> <p>19 full contract amount based on the money they have.</p> <p>20 So if a guy opens the account with 25,000 and only</p> <p>21 wants to trade one contract, that's based on his</p> <p>22 preference.</p> <p>23 Q So this custom execution just refers</p> <p>24 to how many contracts the customer wants to buy,</p>

<p style="text-align: right;">Page 173</p> <p>1 right?</p> <p>2 A Or sell, correct.</p> <p>3 Q And whatever, you know, based on what</p> <p>4 they tell you they want to do, that's what you'll</p> <p>5 do, correct?</p> <p>6 A Yes.</p> <p>7 Q And as a general rule, customers are</p> <p>8 recommended to enter into one contract for every</p> <p>9 \$10,000, right?</p> <p>10 A Yes.</p> <p>11 Q But you might depart from that and that's</p> <p>12 the custom piece, right?</p> <p>13 A Based on what their preferences are, yeah.</p> <p>14 Q You can put that one aside, if you would,</p> <p>15 please.</p> <p>16 A (Witness complies).</p> <p>17 (Whereupon CFTC Exhibit No. 41 was</p> <p>18 marked for identification, MM.)</p> <p>19 Q All right. Mr. Gecas, I want to hand</p> <p>20 you what I've marked as CFTC Exhibit 41, and you'll</p> <p>21 see it's an email and attachment.</p> <p>22 A Okay.</p> <p>23 Q Do you recognize this document?</p> <p>24 A Yes.</p>	<p style="text-align: right;">Page 175</p> <p>1 Q You were just passing this on to</p> <p>2 Mr. Dillman?</p> <p>3 A Yes.</p> <p>4 Q So let's look, if we could, please,</p> <p>5 at the custom deck. Is this something that you</p> <p>6 used with clients?</p> <p>7 A I have.</p> <p>8 Q All right. So I want you to turn</p> <p>9 to the tenth page of the Power Point presentation</p> <p>10 in Exhibit 41. It says Portfolio Management.</p> <p>11 A Okay.</p> <p>12 Q So did you show this presentation to</p> <p>13 clients?</p> <p>14 A Yes.</p> <p>15 Q How many?</p> <p>16 A I don't recall.</p> <p>17 Q Was it like most of them?</p> <p>18 A A lot of them.</p> <p>19 Q All right. So it says Portfolio</p> <p>20 Management \$100,000 risk capital, 12 percent annual</p> <p>21 return, \$12,000 income generation. What would you</p> <p>22 say to a client about this slide?</p> <p>23 A That this is a hypothetical</p> <p>24 portfolio based on the options that are placed</p>
<p style="text-align: right;">Page 174</p> <p>1 Q Can you tell me what it is, please.</p> <p>2 A It's another demo script.</p> <p>3 Q All right. So who developed this demo</p> <p>4 script?</p> <p>5 A Tim Evans.</p> <p>6 Q So if you look at the date on this</p> <p>7 email, it says from Scott Gecas to rdillman. Who's</p> <p>8 rdillman?</p> <p>9 A Ryan Dillman.</p> <p>10 Q All right. And you'll see the date on</p> <p>11 this is March 12, 2018, correct?</p> <p>12 A Um-hmm.</p> <p>13 Q And it says Cust Deck, and that's custom</p> <p>14 deck, right?</p> <p>15 A Custom deck, yeah.</p> <p>16 Q All right. So it looks like you're</p> <p>17 sending this to Ryan. Did you write this or did</p> <p>18 someone else?</p> <p>19 A Tim Evans wrote it.</p> <p>20 Q All right. How can that be when this</p> <p>21 is dated March 12, 2018?</p> <p>22 A I don't know. I know Tim -- I had</p> <p>23 nothing to do with this deck. I know Tim Evans</p> <p>24 gave it to me.</p>	<p style="text-align: right;">Page 176</p> <p>1 in credit spreads. That's why this came from Tim.</p> <p>2 Q That's what you would tell customers?</p> <p>3 A I wouldn't say this came from Tim,</p> <p>4 but I would have said based on a credit spread</p> <p>5 type strategy, this is what the goal of this is</p> <p>6 on a hypothetical basis.</p> <p>7 Q All right. So it says annual return</p> <p>8 12 percent. What customers at Long Leaf Trading</p> <p>9 achieved a 12 percent annual return?</p> <p>10 A I don't recall.</p> <p>11 Q Were there any?</p> <p>12 A Not that I was aware, I believe.</p> <p>13 Q What do you think the annual return</p> <p>14 for Long Leaf customers was on average during your</p> <p>15 tenure?</p> <p>16 A No idea.</p> <p>17 Q What was the annual return for your</p> <p>18 customers during your tenure at Long Leaf?</p> <p>19 A I don't know.</p> <p>20 Q Would it surprise you to learn that it</p> <p>21 was negative?</p> <p>22 A Yes.</p> <p>23 Q Why would it surprise you?</p> <p>24 A Just based on the strategies with some</p>

<p style="text-align: right;">Page 177</p> <p>1 wins, some losses, I didn't think that the customers 2 were overall negative. 3 Q Really? 4 A Yeah. 5 Q That's your testimony? 6 A Yeah. 7 Q Despite all the complaints that we showed 8 you? 9 A I mean, I -- well, I understand all the 10 complaints, but I don't think all the customers were 11 in the same spot. 12 Q But you could have figured out -- 13 A I would say a lot of them did lose money. 14 Q But you could have figured out what 15 the average annual return of at least your Long Leaf 16 Trading customers are, isn't that right? 17 A I guess I could have. I did not. 18 MR. PATRICK: Did you try to do 19 that for even one customer during the whole 20 time that you were a salesperson at Long Leaf? 21 THE WITNESS: No. 22 MR. PATRICK: You never went back 23 and tried to recalculate the profits and losses 24 for even a single customer that you had?</p>	<p style="text-align: right;">Page 179</p> <p>1 A I mean, when I was at Long Leaf, 2 I mean, I was basically just doing what I was told 3 to do. 4 Q So let's turn, if we could, please, 5 to I think two more pages over in Exhibit 41. 6 It says Portfolio Management, but it's got more 7 numbers on it. 8 A Okay. 9 Q There you go. So we're looking at 10 a slide in Exhibit 41, Power Point presentation. 11 It says Portfolio Management. It says \$100,000 risk 12 capital, 12 percent annual return, \$12,000 income 13 generation, 12 option sale 30 days, and then \$1,000 14 monthly income. Are we on the same slide? 15 A Yes. 16 Q So was this a slide you showed to 17 customers? 18 A Yes. 19 Q All right. So you showed this to a lot 20 of customers, right? 21 A Yes. 22 Q So what did you tell them about this slide? 23 A Based on the data that was provided to me, 24 this is a hypothetical portfolio.</p>
<p style="text-align: right;">Page 178</p> <p>1 THE WITNESS: No. 2 MR. PATRICK: And so why would it surprise 3 you so much to learn that all of your customers, 4 or all of Long Leaf's customers in general lose 5 money? 6 THE WITNESS: I was told that that 7 wasn't based -- from Tim Evans, especially 8 Tim Evans, he said that they weren't -- not 9 everybody lost money. And then Jim Donelson 10 was very vague on the overall results of 11 everything. 12 BY MR. BURDEN: 13 Q But you could have looked yourself? 14 A I could have. I did not. 15 Q You've got to understand how this 16 looks to us. Like why would you not have looked? 17 I am forced to conclude from that it's because you 18 didn't care, is that right? 19 A That is not correct, no. 20 Q In that case I'm forced to conclude 21 it's because you knew that they would be negative 22 returns, is that correct? 23 A No, that's not correct. 24 Q All right. So let's look, if we could --</p>	<p style="text-align: right;">Page 180</p> <p>1 Q All right. What else did you tell 2 them? So a customer's looking at this. There's 3 a bunch of numbers. You're a sales guy. Do your 4 pitch. 5 A Based on the portfolio that is 6 designed, that this is -- could be -- this could 7 be a hypothetical scenario for you. 8 Q You told customers that this could 9 be a hypothetical scenario for them, this portfolio 10 management page in Exhibit 41? 11 A Yeah. But, I mean, nothing -- I always 12 tell them nothing's guaranteed and there's always 13 risk for loss. 14 Q All right. So it seems to suggest 15 here that there's \$1,000 monthly income in this 16 hypothetical portfolio, is that correct? 17 A Yes. 18 Q Were there any customers of Long 19 Leaf that enjoyed a \$1,000 monthly income from 20 Long Leaf Trading? 21 A Overall, no, I don't believe so. 22 MR. BURDEN: Yeah. I want to -- I'm 23 just going to play this call and we'll see how 24 we do with it. If it runs too long, I'll skip</p>

<p style="text-align: right;">Page 181</p> <p>1 through it.</p> <p>2 (Whereupon CFTC Exhibit No. 42 was</p> <p>3 marked for identification, MM.)</p> <p>4 Q All right. So I want to play for</p> <p>5 you an audio file, Mr. Gecas, that we've marked</p> <p>6 as CFTC Exhibit 42. It is a file produced by Long</p> <p>7 Leaf Trading. The title of the file is 11-06-2017_</p> <p>8 James Johnson_3609894516.</p> <p>9 (Whereupon the audio was played.)</p> <p>10 Q All right. I want to pause that for</p> <p>11 just a brief moment. Whose voice is that on the</p> <p>12 call?</p> <p>13 A Mine.</p> <p>14 Q All right. I'm going to try speeding</p> <p>15 this up. And if you want me to slow it down, tell</p> <p>16 me, okay?</p> <p>17 A Yes.</p> <p>18 Q 1.6 is about as fast as I can take it.</p> <p>19 (Whereupon audio was played.)</p> <p>20 MR. BURDEN: I'm going to take a break.</p> <p>21 Why don't we do a couple more exhibits, and</p> <p>22 then we'll go off the record and I'll make this</p> <p>23 easy for everyone. I promise it'll be quick.</p> <p>24</p>	<p style="text-align: right;">Page 183</p> <p>1 Their trading platform is sophisticated, yet easy to</p> <p>2 use. I highly recommend them for anyone interested</p> <p>3 in derivatives." So who said this to you?</p> <p>4 A That might -- I use Twitter all the time</p> <p>5 and I go back and forth with hundreds and hundreds</p> <p>6 of people that I go back and forth with and just</p> <p>7 talk about regular trading.</p> <p>8 Q But what I'm asking is who said this very</p> <p>9 nice thing about you?</p> <p>10 A Jeff K. I don't know who Jeff K is.</p> <p>11 Q All right. Is he a client of yours?</p> <p>12 A I think he was one of the guys I was</p> <p>13 trying to get. I don't believe he ever came on,</p> <p>14 though.</p> <p>15 Q Oh, so why did you -- is this something</p> <p>16 he wrote or is this something you wrote and sent to</p> <p>17 yourself?</p> <p>18 A I did not write that. That would not</p> <p>19 make sense.</p> <p>20 Q So why did you send this email to yourself?</p> <p>21 Like what did you do with it?</p> <p>22 A I probably passed that on to Jim.</p> <p>23 I mean, this is one of those guys, like I said,</p> <p>24 on Twitter that I go back and forth with. When</p>
<p style="text-align: right;">Page 182</p> <p>1 (Whereupon CFTC Exhibit No. 43 was</p> <p>2 marked for identification, MM.)</p> <p>3 Q All right. Mr. Gecas, I want to hand</p> <p>4 you what I've marked as CFTC Exhibit 43. Do you</p> <p>5 recognize this document?</p> <p>6 A Yes.</p> <p>7 Q Could you tell me what it is, please.</p> <p>8 A It looks like somebody saying positive</p> <p>9 things about Long Leaf Trading.</p> <p>10 Q So if you look, it's an email from you</p> <p>11 to sgecas2000@gmail.com. That's your personal email</p> <p>12 address, right?</p> <p>13 A Yes.</p> <p>14 Q So you're sending this to yourself,</p> <p>15 correct?</p> <p>16 A It looks that way.</p> <p>17 Q All right. So who's Jeff K?</p> <p>18 A That I don't know. That might have came</p> <p>19 off of a Twitter feed or something.</p> <p>20 Q So it looks like this piece says, "The</p> <p>21 team at Long Leaf Trading are very knowledgeable and</p> <p>22 provide excellent service. Scott Gecas is able to</p> <p>23 boil down the complexities of global trading markets</p> <p>24 into easily digestible, actionable intelligence.</p>	<p style="text-align: right;">Page 184</p> <p>1 I used to work with a different trading firm, we</p> <p>2 used Twitter all the time to connect to different</p> <p>3 people around the world.</p> <p>4 Q So what's the K in Jeff K?</p> <p>5 A I have no idea.</p> <p>6 Q Was this a guy you knew?</p> <p>7 A Probably based on the Twitter feed.</p> <p>8 I don't know what his Twitter handle is or anything</p> <p>9 like that. I probably copied and pasted from</p> <p>10 Twitter.</p> <p>11 Q Did you post this review online anywhere?</p> <p>12 A I did not. I never had access to the Long</p> <p>13 Leaf website or anything like that.</p> <p>14 Q Perhaps --</p> <p>15 A So if I did -- well, I did not post</p> <p>16 it for sure, but I probably forwarded it to Jim.</p> <p>17 Q Do you know if Jim posted it anywhere?</p> <p>18 A I do not know if he did offhand.</p> <p>19 Q All right. So are you aware of any</p> <p>20 incident with Mr. Evans attempting to manage Long</p> <p>21 Leaf Trading's online reputation?</p> <p>22 A No.</p> <p>23 Q Perhaps paying an aggrieved customer</p> <p>24 to take down a Yelp review?</p>

<p style="text-align: right;">Page 185</p> <p>1 A I vaguely remember something about it, 2 but I don't recall him paying him to do anything. 3 Q What do you recall about that episode? 4 A I know it was an argument and I remember 5 him specifically walking out of the office on his 6 cell phone not very happy, talking about -- saying 7 you've got to get that review off. 8 Q Do you know if he got the review off? 9 A I do not. 10 (Whereupon CFTC Exhibit No. 44 was 11 marked for identification, MM.) 12 Q Do you know if there were other 13 attempts to manage Long Leaf's online reputation? 14 A Not that I'm aware of. I know we 15 tried to do all kinds of different things with 16 LinkedIn and tried to just promote, well, Long Leaf. 17 But other than that, no. 18 Q So what did you do to promote Long Leaf 19 on the internet? 20 A Just I would post all my TV spots. 21 Q Anything else? 22 A I tried to get them to set up 23 something on Twitter where we could show option 24 trades and what was going on with realtime, but</p>	<p style="text-align: right;">Page 187</p> <p>1 and recommendable experience and the profits are 2 there." So this was something Mr. Grosmark sent to 3 you? 4 A Yes. Well, he posted it on Google, 5 I guess. 6 Q Did you ask him to do that? 7 A I said if you're happy, it would be 8 helpful if you wrote something nice. 9 Q All right. And had Mr. Grosmark started 10 trading by this point with you? 11 A Yes. 12 Q What happened? Is that true? Was 13 Mr. Grosmark's total return way above the double 14 digits? 15 A In the beginning, yes, it was. That's 16 what I mean by saying it's hard to differentiate 17 returns for everybody because if they came in, we 18 had a bad month, they're going to be down. If we 19 have a good month, they're going to be up. 20 Q What happened to Mr. Grosmark in the end? 21 A I believe he pulled his money. He was not 22 happy overall at the end. 23 24</p>
<p style="text-align: right;">Page 186</p> <p>1 that's about it. 2 Q All right. So you can put that one 3 aside, if you would, please. 4 A I believe I did have one recommendation 5 that I know was posted from one of my clients in 6 the very beginning stages of him working with me. 7 I don't remember who he exactly was, though. 8 Q Yeah, so this might be the next thing 9 I show you. So I want to hand you what we've marked 10 as CFTC Exhibit 44. Do you recognize this document? 11 A Yes. 12 Q Can you tell me what it is, please. 13 A That -- yeah, Alberto Grosmark. He 14 was the one that was happy with me, I guess, at the 15 time. 16 Q All right. So he writes to you on 17 April 9th of 2018 Just Posted in Google. "The 18 persistent marketing of Long Leaf Trading really 19 pays off. This trading group has the client in 20 mind, even at the CEO level, who gets personally 21 involved to make investors satisfied." And then 22 there's some more and then he said, "Finally, after 23 a couple of trading weeks, the total return was 24 way above the double digits. So far the best</p>	<p style="text-align: right;">Page 188</p> <p>1 (Whereupon CFTC Exhibit No. 45 was 2 marked for identification, MM.) 3 Q All right. So I want to show you what 4 I've marked as CFTC Exhibit 45. Do you recognize 5 this document? 6 A Yes. 7 Q All right. Can you tell me what it is, 8 please. 9 A It's an email from Alberto to me. 10 Q All right. And this is just a few 11 months after his Google review, is that right? 12 A I believe so. 13 Q And he says, "Good morning, Scott. 14 Being the beginning of September and, regretfully, 15 still under water about 20 percent of my original 16 investment, I am kindly requesting the report that 17 you said was going to be ready by of August. I hope 18 that this report will help me understand what has 19 happened and where we are going. So far I cannot 20 figure this out." So did you give Mr. Grosmark 21 the report he requested? 22 A I asked -- I requested Jim Donelson 23 to do the account breakdown, like he's done in the 24 past. I don't know if he ever got it, though.</p>

Page 189

1 Q All right. So in the end Mr. Grosmark
2 lost a lot of money with Long Leaf Trading, is that
3 fair to say?

4 A He pulled his money, being not happy
5 with the results.

6 Q All right. Were there any other
7 customers who wrote favorable online reviews for
8 you or for Long Leaf that you're aware of?

9 A Not that I can recall.

10 MR. BURDEN: I'd like to go off the
11 record. And if you'd give us like a 15-minute
12 break, please, I'll queue up my disastrous
13 recording and I'll confer with my colleagues.

14 (Whereupon a recess was taken from
15 2:54 p.m., to 3:20 p.m., after which
16 the following proceedings were had:)

17 MR. BURDEN: Could we go back on the
18 record, please. All right. I want the record
19 to reflect that neither I nor any member of the
20 team had any substantive conversations with the
21 witness during the break, though we did advise
22 the witness that we wouldn't be playing any
23 calls for him because I couldn't -- I didn't
24 record the times.

Page 190

1 Q Is that right?

2 A True.

3 Q Yes?

4 A Yes.

5 MR. BURDEN: All right. Joe, take it away.

6 (Whereupon CFTC Exhibit No. 46 was
7 marked for identification, MM.)

8 FURTHER EXAMINATION

9 BY MR. PATRICK:

10 Q Mr. Gecas, I'm going to hand you
11 a document that is marked CFTC Exhibit No. 46.

12 A Okay.

13 Q Just let me know when you've had a chance
14 to take a look at that.

15 A I have.

16 Q Do you recognize Exhibit 46?

17 A Yes.

18 Q And it appears to be an email dated
19 January 10, 2018 from you to someone called Chris
20 Abbey. Do you know who Chris Abbey is?

21 A One of my clients.

22 Q Okay. And in this email it appears you
23 are responding to Mr. Abbey, I believe. Is Chris
24 Abbey a man or a woman, do you know?

Page 191

1 A I believe it's a guy.

2 Q Okay. So from Mr. Abbey to you. And
3 it appears that he is asking you to close a trade
4 based on the recommendation that you sent to him,
5 is that right?

6 A Yes.

7 Q Okay. And at the top of the email
8 you'll see there that it says you wrote to Chris
9 Abbey, "Got it. We got out at 24/64. Great trade,
10 500 percent." Do you know what you mean -- or what
11 you meant when you wrote that to him?

12 A If that's what I said, that was the result
13 of the trade, excluding commissions.

14 Q Okay. So where would you have gotten
15 that 500 percent number? Would that have been your
16 own calculation?

17 A No, that was from Jim Donelson.
18 I never did any of those calculations. Jim had
19 control over the exits and gave us the information
20 to send to them.

21 Q Okay. How often did you get an email like
22 this from a client who may have been involved in an
23 options trade and, you know, when they responded to
24 you to say, yes, please go ahead and do that trade

Page 192

1 or exit that position, how often were they getting
2 back to you or were you providing information to
3 them about the results of the trade or the
4 profitability?

5 A It would vary from client to client.
6 Sometimes it would be instantaneous. Sometimes it
7 would be days.

8 Q Okay. But typically most clients would
9 ask you as their broker, hey, how did that trade go
10 or how did we do?

11 A Not necessarily. They wouldn't
12 necessarily ask the results of that. We would
13 just -- you know, I was given this information and
14 typically the information would be just on the
15 winners.

16 Q So this information, did you have to
17 ask Mr. Donelson to provide you the information on
18 this trade?

19 A No, he just sent that to everybody.

20 Q So he sent this sentence, this sentence
21 you included, "Got it. We got out at 24/64. Great
22 trade, 500 percent"?

23 A I don't think he said those exact
24 words. He would just say 500 percent return on XYZ

Page 193

1 trade or something along those lines.
 2 Q Did you do anything to confirm that number?
 3 A No.
 4 Q You just communicated it on to your client?
 5 A Yeah.
 6 Q So you don't know independently of what
 7 Mr. Donelson reported to you about the results of
 8 the trade whether or not it was profitable?
 9 A No, that was just based on the information
 10 he gave me.
 11 Q Okay. Would it surprise you to know that
 12 that trade was not profitable?
 13 A It would be very surprising to me if
 14 that trade was not profitable if I had to write
 15 that, yes.
 16 (Whereupon CFTC Exhibit No. 47 was
 17 marked for identification, MM.)
 18 Q Okay. I'm going to show you another
 19 document that we've marked as CFTC Exhibit No. 47.
 20 Take a look at that and let me know when you've had
 21 a chance to review it.
 22 A Okay.
 23 Q Have you seen Exhibit No. 47 before?
 24 A I don't recall if I've seen this before.

Page 194

1 Q Do you know what it is?
 2 A It's a statement.
 3 Q And do you see up in the upper left-hand
 4 corner there seems to be a name and address of an
 5 individual there named Francis Abbey?
 6 A Francis Abbey.
 7 Q Is that the same as Chris Abbey?
 8 A I believe so.
 9 Q And the first page of this document,
 10 Exhibit 47, it shows up in the -- well, kind of
 11 about midway up the first page it'll say trade
 12 confirmations from 1st November '17 through 30th
 13 November '17.
 14 A Yes.
 15 Q So this November statement, if you
 16 go to the second page of the November statement, at
 17 the bottom of the page you'll see a section called,
 18 "The following trades have been executed as of 29th
 19 November '17." Do you see that?
 20 A Yes.
 21 Q And there are one, two, three, four
 22 trades in U.S. T-bond options with a January and
 23 February 18 expiration. Do you see that?
 24 A Yes.

Page 195

1 Q Does that look to be legs of a single
 2 option trade to you?
 3 A It's legs of a spread.
 4 Q Okay. An options spread trade?
 5 A Yes.
 6 Q And do you know what kind of trade this
 7 is, like what options strategy is being employed
 8 here by the --
 9 A It looks like a vol swap or a double
 10 calendar, however you want to call it, yeah, selling
 11 front month, buying back month.
 12 Q Okay. And on the far right column
 13 do you see that section called Debit and Credit?
 14 A Yes.
 15 Q And are those the prices that were either
 16 paid or received for those options?
 17 A I believe so.
 18 Q Okay. And you can see that for that
 19 first option, the 153 call, that there was a \$734
 20 credit --
 21 A Correct.
 22 Q -- in that account, plus some commissions
 23 and fees as well. Do you see that?
 24 A I do.

Page 196

1 Q And then on down through the other
 2 transactions you can see that the -- that the
 3 long 154 call was a premium of 437.50, that the
 4 short Feb 18 put at a 146 strike was a 218.75 credit
 5 and then that 148 put on the February 2018 option is
 6 421.88. Do you see that?
 7 A Correct, yes.
 8 Q Okay. Now, if you can forward a few
 9 pages, on the fifth page from there you'll see it's
 10 page 2 of the January -- or I'm sorry. It's page 2
 11 of the December 2018 statement. And it starts --
 12 at the top it'll say Trade Confirmations from 1st
 13 December through 31st December.
 14 A 1st of December of '17, okay.
 15 Q And about midway down you'll see some
 16 trades dated December 6, 2017, and there's some --
 17 A December -- okay, December 6th.
 18 Q And you'll see some soybean options
 19 and then at the end, at the bottom of that section
 20 you'll see U.S. T-bond options, two U.S. T-bond
 21 options, a 53 call and a 54 call?
 22 A Yes.
 23 Q And you see those are offsets to
 24 those transactions that were entered into back on

<p style="text-align: right;">Page 197</p> <p>1 December 6th?</p> <p>2 A Okay.</p> <p>3 Q So it looks like there were two of those</p> <p>4 legs of that transaction taken off on December 6th.</p> <p>5 Is that typical for a spread transaction like that?</p> <p>6 Why would --</p> <p>7 A For that, yes.</p> <p>8 Q And why is that?</p> <p>9 A Well, maybe not. I don't -- hold on.</p> <p>10 Let me look. I mean, typically what we would do</p> <p>11 would be sell the front month, have it either expire</p> <p>12 worthless or decay, have that off with an unlimited</p> <p>13 opportunity for the back month.</p> <p>14 Q So do you think based on what you see</p> <p>15 here in Exhibit 47, was that what was being done on</p> <p>16 this particular transaction?</p> <p>17 A It does not look like that.</p> <p>18 Q Because I can take you a little bit further</p> <p>19 into this document --</p> <p>20 A No, I'm just trying to figure out the</p> <p>21 entry of the short strikes. Okay. I'm following</p> <p>22 you.</p> <p>23 Q Okay. So it looks like two of the</p> <p>24 four options that were put on on November 29th were</p>	<p style="text-align: right;">Page 199</p> <p>1 working for.</p> <p>2 Q Do you know how it was that Mr. Donelson,</p> <p>3 or even Mr. Evans before him, calculated these kinds</p> <p>4 of returns?</p> <p>5 A No, I have no idea.</p> <p>6 Q Do you believe that they used these monthly</p> <p>7 statements to calculate the returns?</p> <p>8 A Obviously they did not.</p> <p>9 Q So I'm just trying to understand how a --</p> <p>10 A Yeah, I don't understand that.</p> <p>11 Q -- trade can go from a loss of roughly</p> <p>12 \$300 --</p> <p>13 A Right.</p> <p>14 Q -- you know, net of commissions</p> <p>15 and fees to a 500 percent return reported to the</p> <p>16 customer.</p> <p>17 A That does not make sense at all to</p> <p>18 me, and that's something I would never do. That's</p> <p>19 something -- regardless of how new I am, that's</p> <p>20 something I would never do.</p> <p>21 FURTHER EXAMINATION</p> <p>22 BY MR. BURDEN:</p> <p>23 Q So I want to follow up on something</p> <p>24 you said before, Mr. Gecas. I think you testified</p>
<p style="text-align: right;">Page 198</p> <p>1 taken off on December 6th of 2017?</p> <p>2 A Right.</p> <p>3 Q And that there was an additional two</p> <p>4 contracts. If you go to the second-to-the-last</p> <p>5 page in Exhibit 47, you'll see the offset of the</p> <p>6 other two legs of that particular options spread</p> <p>7 were taken off on January 10, 2018. And you can</p> <p>8 see to the very right either the premiums that were</p> <p>9 paid to get out of those options or the credits</p> <p>10 that were put into the account when the option was</p> <p>11 offset. Do you see those?</p> <p>12 A I believe so.</p> <p>13 Q And so I'm looking at this whole</p> <p>14 transaction and I'm seeing that accounting for</p> <p>15 this transaction and commissions and fees, the net</p> <p>16 result of the trade was a loss of \$282.50. So I'm</p> <p>17 trying to understand how it could be --</p> <p>18 A That doesn't make sense to me. I mean,</p> <p>19 I definitely would not have written saying that we</p> <p>20 were profitable if we were not. Again, I mean, if</p> <p>21 that is the case, either that was what I was told</p> <p>22 to do or -- it had to have been what I was told to</p> <p>23 do. I would never say that we made money on a loss.</p> <p>24 I would never do that, regardless of who I was</p>	<p style="text-align: right;">Page 200</p> <p>1 that Mr. Donelson would send around information on</p> <p>2 winning trades, is that right?</p> <p>3 A Yeah, he was the one that would calculate</p> <p>4 all of that.</p> <p>5 Q So what form did that take? Did he</p> <p>6 send you an email that said we made this much money</p> <p>7 on this trade or this percent return? Like did it</p> <p>8 happen every week, every month? Tell me about that,</p> <p>9 if you would, please.</p> <p>10 A I mean, typically if he was talking</p> <p>11 about winners, it was only winners and not losses.</p> <p>12 Q And he would send you an email about</p> <p>13 winning trades, correct?</p> <p>14 A Yeah, either it was an email or</p> <p>15 it was a verbal discussion with the whole group.</p> <p>16 Q And with the whole group, you mean the</p> <p>17 other brokers?</p> <p>18 A Yes.</p> <p>19 Q But he wouldn't tell you about losses?</p> <p>20 A No.</p> <p>21 Q Would he tell you to pass on information</p> <p>22 about these winners to customers?</p> <p>23 A Well, obviously, yes.</p> <p>24 Q Well, I don't know how obvious it is.</p>

Page 201

1 A Well, I mean, with this email, yes.
 2 Q So give me an example of a discussion
 3 that you recall where Mr. Donelson told you about
 4 a winning trade and told you what to do with that
 5 information.
 6 A Depending on what the winning trade
 7 was and how big of a winner it was or not, he would
 8 say, okay, well, we made X percent on this trade,
 9 you know, convey that to your customers.
 10 Q And you would do that?
 11 A Yes.
 12 Q And what did you do to confirm that the
 13 number was correct?
 14 A I didn't.
 15 Q And you understood that there were
 16 trades that were occurring that were losses,
 17 correct?
 18 A Yes.
 19 Q Did you ask him about those?
 20 A I've asked how do we handle the
 21 customers reacting to the losses when we call
 22 them. I know we call them about the gains, and he
 23 says, well, focus on the winners.
 24 Q When did you have that discussion with

Page 202

1 Mr. Donelson?
 2 A I don't recall exactly what time of the
 3 month or what month it was.
 4 Q Was it in person or was it in writing?
 5 A It was in person.
 6 Q Well, why did you agree to go along with
 7 that?
 8 A Because that's what I was told to do.
 9 Q But you must have known that that was
 10 not good to do, right?
 11 A Well, it's always good to focus on
 12 positives, I mean, but obviously the negatives
 13 outweighed the positives.
 14 Q Then why did you do it?
 15 A Because that's what I was told to do.
 16 Q Yeah. But you don't do everything you're
 17 told to do, right?
 18 A For the most part. Being new to that
 19 business at that time, I had no reason not to trust
 20 him.
 21 Q When you say you were new to the
 22 business, that seems wrong to me. I think you
 23 testified earlier that you were an options trader
 24 for many years.

Page 203

1 A But I've never done any type of brokerage
 2 before.
 3 Q So that's the part of the business you
 4 were new to?
 5 A Correct.
 6 Q You know, and it seems as well that --
 7 you know, I don't recall exactly what your words
 8 are, but it was something to the effect that
 9 Mr. Donelson didn't know anything about options,
 10 is that fair to say?
 11 A Well, he -- from my understanding
 12 he worked for Jump Trading, which he was in the
 13 back office doing statements -- or I don't know
 14 what he was doing, but he did something in the back
 15 office and he had a vague understanding of options,
 16 but he had no idea about the Greeks.
 17 Q It sounds like you did understand options
 18 quite well and you had a good understanding of the
 19 Greeks, is that fair to say?
 20 A Yes.
 21 Q So why are you doing what Mr. Donelson
 22 tells you? It sounds like you ought to --
 23 A Because he owned the company. He was the
 24 boss.

Page 204

1 FURTHER EXAMINATION
 2 BY MR. PATRICK:
 3 Q Did Mr. Donelson ever ask you to say
 4 something to the customers or communicate something
 5 to your customers that you didn't feel comfortable
 6 doing and that you told him, no, I've got to push
 7 back on that, that that's not right or I can't say
 8 that?
 9 A Not that I recall. I mean, yes, but
 10 I can't recall specifics.
 11 Q Was it something that happened often?
 12 A Not exactly. I mean, I've had
 13 heated arguments with him about certain trades
 14 and certain exits, and he would not take my advice
 15 or my understanding of when to exit it.
 16 Q Right. Well, that's a little different,
 17 though. That's not something that he's asking you
 18 to communicate to your customers --
 19 A Right.
 20 Q -- that you're saying, no, that's not
 21 right. I'm not going to do that. You said you
 22 recall something, but you don't remember what it is?
 23 A Yeah, I -- yeah, I don't know. I don't
 24 recall the specifics. Honestly, I don't. I know,

Page 205

1 I mean, in the beginning, you know, I was very
 2 passive with him. Towards the end I was a little
 3 bit more outspoken and it didn't get anywhere so --
 4 FURTHER EXAMINATION
 5 BY MR. BURDEN:
 6 Q All right. I want to hand you what
 7 we've marked as CFTC Exhibit 5, and you'll see
 8 it's an email from Jim Donelson to Andrew Nelson
 9 and not to you. But there's an attachment and the
 10 attachment is titled Rebuttals, and I want to know
 11 if you recognize that document, please.
 12 A Yes.
 13 Q Where do you recognize it from?
 14 A These are the rebuttals that I believe
 15 Tim Evans had, and he used them for rebuttals versus
 16 for whatever the client said.
 17 Q So is this a document that you used?
 18 A No, I did not.
 19 Q So how come you've seen this before?
 20 Why is it familiar to you?
 21 A Because Tim Evans gave it to everybody.
 22 Q Did he give it to you?
 23 A Yes, he did give it to me.
 24 Q Why didn't you use it?

Page 206

1 A Because I didn't feel like I needed it.
 2 Q So I want to direct your attention,
 3 if I could, please, to page 4 of this script and
 4 it's --
 5 A I mean, I might have used some of them
 6 but not all of them.
 7 Q Yeah. So the thing I'm interested
 8 in that I want to ask about is on page 4, and
 9 it's -- Request for Past Performance is the
 10 headline.
 11 A Yes, I have used that one and that's
 12 the reason why I've used it, is because I was told
 13 to use it.
 14 Q All right. What would you say to customers
 15 when it was a past performance request?
 16 A What is stated.
 17 Q Can you summarize it for me, please,
 18 for the record.
 19 A Past performance is not necessarily
 20 indicative of future performance. Markets change
 21 all the time. Certain situations would not --
 22 something that would make 100 percent return one
 23 day would not necessarily have the same result on
 24 another day.

Page 207

1 Q And you would also tell customers
 2 that you can't provide them with Long Leaf Trading's
 3 track record for customers, correct?
 4 A Correct.
 5 Q And that's based on what Tim Evans told
 6 you to say?
 7 A Well, Tim and Jim told me to say that.
 8 FURTHER EXAMINATION
 9 BY MR. PATRICK:
 10 Q I think you said you're currently working
 11 at Walsh Trading?
 12 A Um-hmm.
 13 Q What are you doing for Walsh?
 14 A I'm a broker over there.
 15 Q Broker. Is it similar type of, you know,
 16 trades that you're offering?
 17 A Yes and no. So we have a lot of different
 18 things. We do a lot of commercial hedging for
 19 farmers, so it's a completely different client base.
 20 I do some type of these trades. I don't always do
 21 four-legged spreads. I do a lot of credit spreads
 22 or two-legged credit spreads.
 23 Q So your clients are hedgers mostly
 24 at Walsh?

Page 208

1 A More or less.
 2 Q So are you using options in hedging?
 3 A Yes.
 4 Q You left Long Leaf in December --
 5 A Yes.
 6 Q -- of 2018? Why did you leave?
 7 A For a lot reasons. No. 1, in December
 8 he decided just not to pay me, which was ridiculous.
 9 But I had a big argument with him about a big error,
 10 and he wanted me to pay half of it and I told him
 11 that was unacceptable.
 12 MR. BURDEN: Is that why he didn't pay you?
 13 THE WITNESS: I would assume so.
 14 BY MR. PATRICK:
 15 Q What was the error?
 16 A We had a bond trade, bond option that got
 17 expired that we're not supposed to ever be subject
 18 to exercise our assignment, and it was expired --
 19 or we got assigned on it. It was a small loss
 20 at one time. I expressed my concern to get out
 21 immediately and he did not. He said, well, I think
 22 it's going to come back. I said that's the wrong
 23 answer to have. That went on for a day or two.
 24 When he said no, he wasn't going to get out of it,

Page 209

1 I did not work. I did not do anything. I told him
 2 I did not want to have anything to do with it until
 3 he gets out of it. I left the office. I actually
 4 went out of town to not be around it. And when I
 5 came back from out of town, I think it was five or
 6 seven days later, he still wasn't out of it. I told
 7 him you can't do that. That's not how you're
 8 supposed to be running errors or anything like
 9 that. He said, well, what do you think about this.
 10 I said, well, either -- I go -- he was short a
 11 38 put that got assigned. So he ended up being
 12 long or he was -- I don't know. It was something
 13 with the bonds being future related. So obviously
 14 it's an expensive error and, you know, anything
 15 could happen overnight. And I told him your
 16 overnight risk of trading bonds in that environment
 17 is ridiculous. There's not reason -- I don't care
 18 how much it is. Just get out of it. And he refused
 19 to get out of it, and then he said it was capped by
 20 another option so he could only lose a thousand
 21 points -- or, I mean, one full tick, which is a
 22 thousand dollars a contract, which he said that
 23 he was okay with. And then that option expired
 24 worthless and he still had the future, and then

Page 210

1 he went out and he tried to cover his risk by
 2 buying an open-ended call just to do that. I mean,
 3 he completely screwed that whole trade up. In
 4 everything I've ever seen, I've never seen anyone
 5 mismanage something like that.
 6 MR. BURDEN: Did he get customer consent
 7 to cover this futures position that he wound
 8 up with?
 9 THE WITNESS: Not to my knowledge.
 10 I know I never called any of my customers with
 11 an offset, something like that.
 12 MR. BURDEN: Do you know what he ultimately
 13 did with this trade, Mr. Donelson?
 14 THE WITNESS: I think that we were
 15 short from -- no. We were long from 138 and he
 16 ended up buying a 141 call or 140 call. I can't
 17 recall exactly what strike and it maxed out and
 18 he owed -- I think at one point it was only like
 19 a \$5,000 error. It turned out to be well over
 20 a hundred.
 21 MR. BURDEN: Well, what did he do with
 22 that? Did the customers eat it or did it go in
 23 the error account?
 24 THE WITNESS: As far as I know, he did

Page 211

1 not put it in the error account. To my
 2 knowledge, I think what he told me is he left
 3 it in the customers' accounts, which I told
 4 him right off the bat, I said that's -- I mean,
 5 from taking the Series 3 the first thing I ever
 6 said was if you have an error, get out of it
 7 immediately. Everybody knows that. So --
 8 BY MR. PATRICK:
 9 Q Was it really an error, though? I mean,
 10 to get assigned is not really an error, is it?
 11 A Right. See, that's a little bit
 12 of confusion that I have because I was not on the
 13 execution desk. I didn't do any execution at the
 14 time. That was -- we moved to Cunningham and we
 15 were electronically placing orders instead of
 16 calling to the floor. So I thought that it was
 17 entered as an error. I could be wrong. But from
 18 my understanding, we were never ever in a position
 19 where we were -- as long as there was a debit
 20 spread, we were never subject to exercise our
 21 assignment. That was one of the things that I
 22 made very clear on all the trade designs that I did,
 23 is I never want to be subject to that or never naked
 24 short options ever. And so it got assigned so

Page 212

1 that's -- I think that was entered an error. I
 2 can't confirm that. I mean, that's just how I view
 3 it. But, you know, he came back and -- he was in
 4 and out of the office during that time. Sometimes
 5 he would be in, sometimes he wouldn't. He wasn't
 6 managing that position the way he should, and we
 7 were stuck with the future and that's how we
 8 did it. That's how all that unfolded and I was
 9 absolutely upset about it, refused to work, refused
 10 to do anything until he got out of that and handled
 11 it the correct way. And it ended up being, I don't
 12 know, 7 or 11 days or something like that.
 13 Q And do you know, did he make the customers
 14 whole for their loss?
 15 A I think that he did. I was under
 16 the understanding that he had to borrow money or
 17 something that he put and he refunded the customers.
 18 I don't know if he refunded them all of it, though.
 19 I'm not sure.
 20 Q So that was sort of the last piece --
 21 A That was the end for me, yes.
 22 Q That was the end. And so why did he
 23 think -- if you didn't have a really -- I mean,
 24 did you have anything to do with either the trade

<p style="text-align: right;">Page 213</p> <p>1 itself or the error or any of it? I don't</p> <p>2 understand why it is that he was asking you to pay</p> <p>3 for half of the mistake.</p> <p>4 A I have no idea.</p> <p>5 Q Did he tell you why?</p> <p>6 A No.</p> <p>7 MR. BURDEN: Were you like his partner</p> <p>8 or something?</p> <p>9 THE WITNESS: No, I had no financial</p> <p>10 responsibility to that firm whatsoever other</p> <p>11 than just being a broker.</p> <p>12 MR. BURDEN: Was your compensation entirely</p> <p>13 commissions?</p> <p>14 THE WITNESS: No. He did -- in January</p> <p>15 when he took over, I wasn't comfortable with</p> <p>16 staying on with somebody who wasn't familiar</p> <p>17 with the business too well. So in order for</p> <p>18 him to keep me, he paid me \$10,000 a month.</p> <p>19 MR. BURDEN: In addition to commissions?</p> <p>20 THE WITNESS: In addition to commissions,</p> <p>21 based on my TV spots as well as trade design.</p> <p>22 MR. BURDEN: During Mr. Evans's tenure,</p> <p>23 was your comp just commissions?</p> <p>24 THE WITNESS: Yes.</p>	<p style="text-align: right;">Page 215</p> <p>1 was approved to do that. But as far as I know,</p> <p>2 it didn't -- it never took off. It never -- they</p> <p>3 stopped that.</p> <p>4 (Whereupon CFTC Exhibit No. 48 was</p> <p>5 marked for identification, MM.)</p> <p>6 FURTHER EXAMINATION</p> <p>7 BY MR. BURDEN:</p> <p>8 Q All right. Mr. Gecas, I want to show</p> <p>9 you what we've marked as CFTC Exhibit 48. Do you</p> <p>10 recognize this document?</p> <p>11 A No.</p> <p>12 Q All right. So this is a letter dated</p> <p>13 May 17, 2018 from NFA to Jim Donelson. And if you</p> <p>14 look at the first and second pages, you'll see that</p> <p>15 it states that NFA's compliance staff conducted,</p> <p>16 for lack of a better word, undercover calls with</p> <p>17 you and Mr. Gunther and they say that you made</p> <p>18 misrepresentations and misleading representations,</p> <p>19 and those are set forth in detail on the second</p> <p>20 page. Have you seen this letter before?</p> <p>21 A I have not.</p> <p>22 Q Are you aware that NFA sent this letter</p> <p>23 to Mr. Donelson?</p> <p>24 A He did mention something about it,</p>
<p style="text-align: right;">Page 214</p> <p>1 BY MR. PATRICK:</p> <p>2 Q Mr. Gecas, earlier you said when we were</p> <p>3 talking about online and social media presence and</p> <p>4 you mentioned Twitter. Do you use Twitter or did</p> <p>5 you use Twitter while you were at Long Leaf to</p> <p>6 promote Long Leaf Trading or to solicit --</p> <p>7 A Not to promote Long Leaf Trading,</p> <p>8 but I had a network that I used to use for when</p> <p>9 I was trading on my own with just different traders,</p> <p>10 and we would always bounce ideas back and forth.</p> <p>11 Q Because you had mentioned that there was</p> <p>12 a lot of --</p> <p>13 A Yeah, so that's --</p> <p>14 Q You were getting a lot of information</p> <p>15 from Twitter?</p> <p>16 A Yeah. I never plugged Long Leaf on</p> <p>17 any of mine because I was under the understanding</p> <p>18 that it's got to be approved, so I never did that.</p> <p>19 Q Do you know, did Long Leaf have</p> <p>20 any policies on using social media as a broker?</p> <p>21 A Not as far as I know. I know we</p> <p>22 tried to implement it towards the end, like I said,</p> <p>23 just not any opinions. It's just trade data coming</p> <p>24 through, and I was under the impression that that</p>	<p style="text-align: right;">Page 216</p> <p>1 told me not to worry about it, told me that it</p> <p>2 was just -- I don't know the exact words, but he</p> <p>3 told me not to worry about it.</p> <p>4 Q Okay. And did he approach you with this</p> <p>5 letter?</p> <p>6 A He did not.</p> <p>7 Q Did he ever show you a copy of it?</p> <p>8 A No.</p> <p>9 Q All right. So if you turn the page,</p> <p>10 Exhibit 48 is a group exhibit. So it also includes</p> <p>11 Mr. Donelson's response, and he writes about the</p> <p>12 representations made by you that were highlighted</p> <p>13 in the previous letter. Did Mr. Donelson show you</p> <p>14 his letter to NFA?</p> <p>15 A No.</p> <p>16 Q Have you ever seen this before?</p> <p>17 A I don't believe so, no.</p> <p>18 Q Did he ever consult you in connection</p> <p>19 with this response to NFA?</p> <p>20 A He did ask me about something along</p> <p>21 these lines and asked me if I made any misleading</p> <p>22 statements, and I told him I did not.</p> <p>23 Q So I really want to drill down to</p> <p>24 what Mr. Donelson said to you about this because</p>

Page 217

1 it's quite serious, as you can see.
 2 A Yeah, this is the first time I'm seeing
 3 this.
 4 Q And it comes as a surprise to me that
 5 he wouldn't have shared it with you or been more
 6 worried himself. So Mr. Donelson's words to you
 7 were the NFA wrote me a letter and don't worry?
 8 A Yeah.
 9 Q Did he tell you what was in the letter?
 10 A No. He just said that it was about
 11 me talking about the Time Means Money program, and
 12 he did mention that the NFA was not happy with the
 13 76-1/2 percent of options expire worthless.
 14 Q What else did Mr. Donelson say to you
 15 about the NFA?
 16 A That's pretty much it. He told me
 17 that this is nothing to worry about, that this
 18 is normal in this business, which I had no idea that
 19 it wasn't.
 20 Q Did you consult an attorney in connection
 21 with this NFA inquiry?
 22 A No.
 23 MR. PATRICK: At the time of the dates
 24 that are on the first page of this Exhibit 48,

Page 218

1 February 22 and 23 and then April 11 and 12,
 2 you guys would have already been -- Long Leaf
 3 Trading would have already switched from sort
 4 of a credit spread strategy to a debit spread
 5 strategy, is that right?
 6 THE WITNESS: Right. I think in --
 7 what were the dates?
 8 MR. PATRICK: February of '18 and April
 9 of '18.
 10 THE WITNESS: Yeah, I think it was
 11 like towards the end of February, beginning
 12 of March because that's when he was outsourcing
 13 it.
 14 MR. PATRICK: Okay. So part of February
 15 you may still have been engaging in the credit
 16 spreads, correct?
 17 THE WITNESS: Yeah, he was picking and
 18 choosing between me and his other outsource
 19 person.
 20 BY MR. BURDEN:
 21 Q All right. Mr. Gecas, we can put
 22 this aside. At some point Long Leaf Trading
 23 switched from Gain to Cunningham, is that right?
 24 A Yes.

Page 219

1 Q Do you remember approximately when that
 2 was?
 3 A I don't.
 4 Q I'll show you an email to refresh your
 5 recollection.
 6 (Whereupon CFTC Exhibit No. 49 was
 7 marked for identification, MM.)
 8 Q I'm handing you what we've marked as
 9 CFTC Exhibit 49. Do you recognize this document?
 10 A Yes.
 11 Q Can you tell me what it is, please.
 12 A It was just Jim sending the customers --
 13 explaining why we switched to Cunningham versus
 14 Gain.
 15 Q Okay. And if you look at the date
 16 on that, it's September 6th and, you know, let's
 17 instead look at the actual attachment, Change in
 18 Clearing Firm. It says, "On September 7th you
 19 will receive a negative consent letter from
 20 GAIN Capital." It essentially goes on to say
 21 we moved over to Cunningham after the close on
 22 September 21st. As far as you know, is that
 23 correct?
 24 A I believe so.

Page 220

1 Q Does that refresh your recollection
 2 as to when the transition occurred?
 3 A Yeah, it's -- yes.
 4 Q All right. Did you send this
 5 change in clearing firm notice to your clients?
 6 A I believe so. It was sent to everybody.
 7 Q All right. And you sent it to your
 8 clients?
 9 A I believe so, yes.
 10 Q Donelson didn't send it to your clients.
 11 You sent it?
 12 A Yes.
 13 Q All right. So what was your
 14 understanding of why Long Leaf was switching from
 15 Gain to Cunningham?
 16 A My understanding was just to remove the --
 17 calling the floor for the trades so we could do it
 18 electronically. Gain did not have that capability.
 19 Q Who told you that?
 20 A Jim Donelson.
 21 Q Did you ask him why you were switching
 22 clearing firms?
 23 A That's the reason he gave me.
 24 Q Did Mr. Donelson ever mention anything

<p style="text-align: right;">Page 221</p> <p>1 to you about Long Leaf Trading's failure to fulfill 2 its net capital requirements? 3 A Never once. 4 Q Did Mr. Donelson ever explain or 5 say or otherwise suggest to you that the change 6 in clearing firms was occasioned by the need for 7 Long Leaf to become a guaranteed IB? 8 A Never once. 9 Q Did you understand that in going 10 from Gain to Cunningham, Long Leaf Trading was 11 transitioning from an independent IB to a guaranteed 12 IB? 13 A No. 14 Q Did he ever say anything to you about 15 that stuff? 16 A Not that I recall. I do remember him 17 saying something about that it was more advantageous 18 being with Cunningham than Gain because it's a 19 guaranteed, but I can't remember exactly. 20 Q Do you know when Mr. Donelson said that 21 to you? 22 A Right around this time. I had no 23 idea about the capital requirements, though. Never 24 once was that mentioned. I don't think that was</p>	<p style="text-align: right;">Page 223</p> <p>1 to him several different times and he didn't 2 understand that. He started the account with a 3 \$10,000 account, took one trade and then left after 4 that trade. 5 Q What other complaints to the NFA 6 are you aware of about Long Leaf Trading or any 7 of the brokers therein? 8 A Any other brokers, I don't know. I know 9 when I came on with Tim, he explained to me that he 10 had an NFA complaint due to misfiling of paperwork, 11 which was what I was told. 12 Q Did Mr. Evans ever tell you that other 13 customers had complained to the NFA? 14 A No. 15 Q Did Mr. Donelson -- other than Fischer, 16 did Mr. Donelson say that other customers had 17 complained to the NFA? 18 A No. 19 Q Did you otherwise learn of complaints 20 made to the NFA by customers? 21 A Specifically I don't know the name. 22 I know there was one that was a customer with 23 a broker named Jeremy Ruth, and then that was all 24 I was told about that.</p>
<p style="text-align: right;">Page 222</p> <p>1 mentioned to anybody. Probably for good reason. 2 (Whereupon CFTC Exhibit No. 50 was 3 marked for identification, MM.) 4 Q All right. I want to hand you what 5 we've marked as CFTC Exhibit 50. Do you recognize 6 this document? 7 A Yes. 8 Q Can you tell me what it is, please. 9 A It's a complaint from Chris Fischer. 10 That was one of my clients. 11 Q All right. And so Mr. Donelson is 12 writing to you and he's saying, "I just received 13 a notification from NFA that Chris Fischer has filed 14 a formal complaint with NFA." He says can you talk 15 to this guy, what a pain in the ass. Did you talk 16 to Mr. Fischer? 17 A Yes. 18 Q What did you say to him? 19 A I told him that, you know, he only took 20 one trade. It was a small loss. He was unhappy 21 because he didn't understand that. He wanted me to 22 get out of a position that had no bid, so I couldn't 23 sell it. And I tried to explain that to him and he 24 didn't understand that, and I tried to explain it</p>	<p style="text-align: right;">Page 224</p> <p>1 Q Who told you about that? 2 A Jim Donelson. 3 Q What did Mr. Donelson tell you? 4 A He just said that it's a big headache, 5 that this is a very large account that Jeremy Ruth 6 mishandled and he was placing trades without their 7 consent and I have to deal with it and this is Tim 8 Evans' fault and now it's passed on to me and I'm 9 going to try to sue Tim Evans for it. 10 Q When did Mr. Donelson say that to you? 11 A I don't know the exact time of -- 12 I mean, I think that was, I don't know, maybe 13 August. Maybe. I'm not positive. I don't know. 14 Q So you think in August of 2018 Mr. Donelson 15 told you about this customer that -- 16 A He didn't exactly tell me. He was 17 just on the phone talking about it, and I asked 18 him what it was about and that was just his basic 19 response. 20 Q Did he tell you that that customer 21 that Jeremy Ruth had handled had filed a complaint 22 with the NFA? 23 A No. 24 Q You're just aware of a dissatisfied</p>

<p style="text-align: right;">Page 225</p> <p>1 customer?</p> <p>2 A Right.</p> <p>3 Q Looking back at Exhibit 50, after the</p> <p>4 date of Exhibit 50, May 17, 2018, you continued</p> <p>5 to represent to customers in phone calls that</p> <p>6 Long Leaf Trading had a 100 percent clean record</p> <p>7 with NFA for servicing of customer accounts, is that</p> <p>8 right?</p> <p>9 A Yeah, that's what I was told to say.</p> <p>10 Q But why did you say that? You know that</p> <p>11 they don't.</p> <p>12 A Right. But I would also have to tell</p> <p>13 them that the one mark was based on a misfiled piece</p> <p>14 of paper, is what I was told to say.</p> <p>15 Q Yeah, but that's not what Chris Fischer</p> <p>16 is complaining about in the account. And it sounds</p> <p>17 like you feel like that complaint's not justified,</p> <p>18 but you know that NFA has a complaint from a Long</p> <p>19 Leaf Trading customer, right?</p> <p>20 A Yes.</p> <p>21 Q So why are you telling people that</p> <p>22 Long Leaf Trading has a 100 percent clean record</p> <p>23 with NFA for servicing customer accounts?</p> <p>24 A That's what I was told to say.</p>	<p style="text-align: right;">Page 227</p> <p>1 MR. PATRICK: Did you review the --</p> <p>2 THE WITNESS: No.</p> <p>3 MR. PATRICK: -- the complaint on NFA</p> <p>4 BASIC?</p> <p>5 THE WITNESS: No.</p> <p>6 MR. PATRICK: So you didn't confirm</p> <p>7 that it was a misfiled piece of paper?</p> <p>8 THE WITNESS: No.</p> <p>9 (Whereupon CFTC Exhibit No. 51 was</p> <p>10 marked for identification, MM.)</p> <p>11 BY MR. BURDEN:</p> <p>12 Q All right. I want to hand you what</p> <p>13 we've marked as CFTC Exhibit 51. Do you recognize</p> <p>14 this document?</p> <p>15 A Yes.</p> <p>16 Q Can you tell me what it is, please.</p> <p>17 A It's an email to me with Tim Evans.</p> <p>18 Q All right. Do you remember writing this</p> <p>19 email?</p> <p>20 A No, I don't recall writing it. Obviously</p> <p>21 I did.</p> <p>22 Q So the part I want to ask you about</p> <p>23 says, "Your guy Jeremy has been call customers."</p> <p>24 I think that's supposed to say calling customers?</p>
<p style="text-align: right;">Page 226</p> <p>1 Q Is it true?</p> <p>2 A No.</p> <p>3 Q Why did you say it?</p> <p>4 A I don't know. I was told that this</p> <p>5 is not considered an NFA complaint because it</p> <p>6 didn't go on the website. That's what I was told.</p> <p>7 Q Who told you that?</p> <p>8 A Jim Donelson.</p> <p>9 Q Did you ever ask Mr. Evans if there</p> <p>10 were complaints filed with the NFA against Long</p> <p>11 Leaf Trading?</p> <p>12 A No.</p> <p>13 Q Did you ever ask Mr. Donelson if</p> <p>14 complaints were filed with the NFA against Long</p> <p>15 Leaf Trading?</p> <p>16 A No. I was only aware of the one with Tim</p> <p>17 Evans, and that was all I was privy to.</p> <p>18 MR. PATRICK: Are you familiar with NFA's</p> <p>19 BASIC system?</p> <p>20 THE WITNESS: Yes.</p> <p>21 MR. PATRICK: Have you ever checked Long</p> <p>22 Leaf Trading's regulatory background on BASIC?</p> <p>23 THE WITNESS: Which that's why I was told</p> <p>24 to say it's a misfiled piece of paper.</p>	<p style="text-align: right;">Page 228</p> <p>1 A Right.</p> <p>2 Q "And trying to take a few guys</p> <p>3 from here to dial for him, that fat fuck scumbag.</p> <p>4 Good to hear things are going well for you. When</p> <p>5 you get settled, you can invite me to your</p> <p>6 compound." Did you write that?</p> <p>7 A Yes.</p> <p>8 Q This reference to Jeremy is Jeremy Ruth,</p> <p>9 right?</p> <p>10 A Yes.</p> <p>11 Q Did you get the opportunity to work with</p> <p>12 Mr. Ruth?</p> <p>13 A Unfortunately, yes, in the very beginning.</p> <p>14 Q Okay. How long did you and Mr. Ruth</p> <p>15 overlap?</p> <p>16 A Maybe a few months, before I even started</p> <p>17 talking to customers.</p> <p>18 Q All right. So why do you say</p> <p>19 unfortunately?</p> <p>20 A Because he's -- he's a scumbag.</p> <p>21 Q Why do you say that?</p> <p>22 A Just because the way he would carry</p> <p>23 himself as an individual, as well as on the phone,</p> <p>24 as well as anything related to him. He would, you</p>

<p style="text-align: right;">Page 229</p> <p>1 know -- when I first came in, I wasn't -- I didn't 2 know anybody in the office and I had to sit there 3 and just keep my mouth shut and my head down, and 4 he would belittle guys. He would just -- I mean, 5 just the way he over -- I mean, he was awful. 6 And then, you know, later on I found out that 7 he was placing trades without consent. He wouldn't 8 answer calls. He wouldn't do that. His phone would 9 be ringing. He would literally say, oh, I know who 10 that guy is. I know what he wants. I'm not talking 11 to him. I mean, he was just a bad person to be 12 around. 13 Q So with respect to Mr. Ruth, you said 14 he was placing trades without consent. Did you ever 15 see him do that? 16 A I have never seen him do that. 17 Q So why do you think he did that? 18 A Some of the customers that I was -- 19 inherited were from him, and that's what they have 20 told me. 21 Q Do you recall what customers? 22 A No, I don't. 23 Q Were there like a lot of them or just 24 some of them?</p>	<p style="text-align: right;">Page 231</p> <p>1 you ever have any communications with any person at 2 Gain or Cunningham other than like receiving monthly 3 statements? Like did you ever talk to anybody 4 over -- 5 A Yes. When we were with Gain and with 6 Tim I did have to place trades every now and then, 7 not very often, so I did have to talk to our trade 8 desk. At Cunningham we went and I had to sit with 9 their guy to walk through the platform. 10 Q So other than the interactions you 11 described, any other interactions with personnel 12 at Gain or Cunningham? 13 A No. 14 Q Did anybody from Gain ever forward to you 15 customer complaints? 16 A Not that I remember. 17 Q Subsequent to your parting from 18 Long Leaf Trading, have you spoken to or otherwise 19 communicated with anyone over there? 20 A I have seen Andrew Nelson every now 21 and then. I mean, it's a small area. I've seen 22 a couple guys, but I haven't spoken with them. 23 Q Okay. Have you reached out to Mr. Donelson 24 at all?</p>
<p style="text-align: right;">Page 230</p> <p>1 A I would say a handful, as far as I can 2 remember. Again, I don't know specifics. 3 Q Do you know if Mr. Ruth was disciplined 4 for this? 5 A I do not. 6 Q It says here it sounds like in your 7 email you're saying that Mr. Ruth had tried to 8 recruit people from Long Leaf Trading. Am I reading 9 that correctly? 10 A Yeah. He left the firm and went to 11 another firm and tried to bring the guys that were 12 still at Long Leaf over to work with him. 13 Q Was he successful in doing that? 14 A I don't think so. I'm not positive, 15 though. 16 Q So what firm is he at? We ought to be able 17 to just figure this out but -- 18 A What firm he's at now, I have no idea. 19 I know he was at Postrock, but I don't know where 20 he's at now. 21 Q Does Postrock do the same kind of thing 22 Long Leaf Trading does? 23 A Not aware. I have no idea. 24 Q During your tenure at Long Leaf, did</p>	<p style="text-align: right;">Page 232</p> <p>1 A No. 2 Q Mr. -- 3 A The only time I had to reach out to 4 Mr. Donelson was when I had to get my things and 5 he refused, and I actually had to call 911 to get 6 them back. 7 Q Did you get them back? 8 A Yeah. 9 Q Other than that, have you had communicated 10 with Mr. Donelson? 11 A No. 12 Q What about his counsel? 13 A She did send me a cease and desist 14 order so I didn't contact any other clients, which 15 I never did or wanted to anyway. 16 Q Any other communications with 17 Mr. Donelson's counsel? 18 A No. 19 Q Same questions for Evans. 20 A No, I haven't heard from Tim since he left. 21 Q Has anyone, you know, other than us 22 talked to you about the CFTC's investigation of 23 Long Leaf Trading? 24 A No.</p>

Page 233

1 Q Have you talked to anybody else about it?
 2 A No. I talked to my girl friend/fiancée
 3 saying that I got a subpoena from it.
 4 Q Oh, yeah. I got it. That doesn't count.
 5 Anyone else?
 6 A No.
 7 Q All right. Would you describe for me,
 8 please, the office setup at Long Leaf Trading.
 9 A It was a small office. Nine desks,
 10 ten desks maybe.
 11 Q All in one room?
 12 A Yes.
 13 Q Can everybody hear what everybody else
 14 is saying?
 15 A I believe so, yeah.
 16 Q Can you hear what the other brokers
 17 are saying?
 18 A On occasion, yeah. I mean, if I'm trying
 19 to, yeah.
 20 Q Could Mr. Evans hear what you were saying,
 21 do you think?
 22 A Yes, yes.
 23 Q Did Mr. Evans ever say to you, hey,
 24 don't say that, you're misrepresenting something?

Page 234

1 A No.
 2 Q Did Mr. Evans ever discipline you or
 3 otherwise chastise you?
 4 A No.
 5 Q How about Mr. Donelson?
 6 A No.
 7 Q Other than for this colossal trade screwup.
 8 A Right. Well, yeah, that was a big
 9 difference. I mean, but the coffee one, like I said
 10 too, I mean, we -- that was a heated argument too.
 11 Q So what I'm getting at is, you know,
 12 Mr. Donelson can hear what you're saying to
 13 customers, right?
 14 A Yeah.
 15 Q Did he ever object?
 16 A No.
 17 Q Did he ever praise you or say great job?
 18 A Just if the guy committed to opening an
 19 account he would say, oh, good job.
 20 (Whereupon CFTC Exhibit No. 52 was
 21 marked for identification, MM.)
 22 Q I want to hand you what I've marked
 23 as CFTC Exhibit 52. If you would take a moment
 24 to look it over, please.

Page 235

1 A Okay.
 2 Q Do you recognize this document?
 3 A Yes.
 4 Q Can you tell me what it is, please.
 5 A It's just an update I believe when we
 6 switched over to Cunningham.
 7 Q Are you sure?
 8 A No, I'm not.
 9 Q Well, take a look at it and read it,
 10 please.
 11 A I think this might be when Jim Donelson
 12 took over and wanted to explain the changes to the
 13 customers of what has been new since Tim Evans left
 14 maybe.
 15 Q Okay. Was this a document that you sent
 16 to your customers?
 17 A Yes.
 18 Q All right. So the part I want to ask
 19 you about is it says in the middle, "Scott and Jim
 20 share in the development of the monthly trades and
 21 management of the trades after they are made. Scott
 22 will also provide leadership to the experienced
 23 brokerage team." Is that statement true? Did you
 24 provide leadership to the brokerage team?

Page 236

1 A Yes. In a very specific way, though.
 2 Q How did you do that? Tell me about it,
 3 please.
 4 A Well, I had to explain to them basic
 5 options, what a call is, what a put is, because
 6 they had zero understanding. And then I would
 7 also tell them to look at news feeds every day to
 8 see what is going on so they can actually sound
 9 somewhat intelligent on the phone when they're
 10 talking to prospects.
 11 Q What other services did you provide in
 12 terms of leadership for the broker team?
 13 A I did monitor some calls to make
 14 sure that they were being clean on the phone and
 15 not saying um and stuttering and stuff like that.
 16 Q All right. So you were listening to
 17 make sure they didn't stutter or say um, is that
 18 correct?
 19 A More or less.
 20 Q Were you listening for anything else?
 21 A I mean, as long as -- as far as --
 22 as long as they were following the script and didn't
 23 go off script and not promising anything.
 24 Q So part of your job at Long Leaf

<p style="text-align: right;">Page 237</p> <p>1 after Mr. Donelson took over was to make sure the 2 other brokers were following the script? 3 A Yes. 4 Q So we looked at some scripts today, 5 didn't we? 6 A Um-hmm. 7 Q Yes? 8 A Yes. 9 Q And were those the scripts that the 10 brokers were following? 11 A Yes. 12 Q One of the scripts that we looked at 13 we marked as Exhibit 4. Do you recall that one? 14 A No. 4? 15 Q Yeah. 16 A Okay, I got it. 17 Q All right. So we were looking 18 at a part in this script. Was this one of the 19 scripts that you made sure the brokers followed? 20 A To an extent. 21 Q What do you mean, to an extent? 22 A Well, the one with the making millions 23 of dollars for the successful customers, I didn't 24 actually force that because I didn't necessarily</p>	<p style="text-align: right;">Page 239</p> <p>1 Q And one of the other scripts we looked 2 at was Exhibit 5, which is the rebuttal script. Do 3 you remember that one? 4 A Yes. 5 Q So the part in there I want to ask 6 about is the past performance requests portion. 7 Do you remember that? 8 A All right. 9 Q And that part of the script says 10 something to the effect if customers ask for past 11 performance, you should tell them that the market 12 goes up and down, isn't that right? 13 A Right. 14 Q Is that a thing that brokers said to 15 customers? 16 A Yes. 17 Q And you heard them say that? 18 A Yes. 19 Q And you said that was okay? 20 A Markets do go up and down. 21 Q Did you advise brokers of the need to 22 tell customers that Long Leaf's overall trading 23 record for customers was strongly negative? 24 A No, I did not.</p>
<p style="text-align: right;">Page 238</p> <p>1 understand where they were coming up with that, 2 but that's what I was told to do. 3 Q All right. So I want to drill down 4 on that. So the part of Exhibit 4, the script 5 that I'm interested in is the part where it says 6 something to the effect of our success depends 7 on your success and we wouldn't be able to work for 8 all these clients and manage millions of dollars if 9 we weren't being profitable for them. So you know 10 what part of the script that I'm referring to there, 11 correct? 12 A Yeah, yes. 13 Q All right. So did you hear brokers saying 14 that to customers? 15 A Yes. 16 Q Did you tell them not to? 17 A I didn't tell them not to, but I didn't 18 force them to. 19 Q So you allowed -- 20 A I told them to use their judgment on that. 21 Q Did you advise the brokers that 22 that statement was, in fact, untrue, that Long Leaf 23 Trading was not profitable for customers overall? 24 A No, I did not because I did not know.</p>	<p style="text-align: right;">Page 240</p> <p>1 Q Why not? 2 A Because I was under the impression that 3 it was somewhat profitable in the past. 4 Q What about currently at the time you 5 were supervising the brokers, was it profitable 6 then? 7 A No, it was not. 8 (Whereupon CFTC Exhibit No. 53 was 9 marked for identification, MM.) 10 Q All right. So I want to hand you what 11 we've marked as CFTC Exhibit 53. Do you recognize 12 this document? 13 A Yes. 14 Q Can you tell me what it is, please. 15 A Based on the criteria that I was 16 given by Jim and Tim, that these guys -- or, well, 17 everything was set by Tim, implemented by Jim later 18 on. So they're supposed to set three demos. 19 Q What do you mean, they're supposed to 20 set three demos? 21 A They're supposed to get clients to 22 agree to a phone call so they can walk them through 23 a demo. 24 Q And the demo is that Power Point</p>

Page 241

1 presentation we looked at --
 2 A Yes.
 3 Q -- before that was marked as CFTC
 4 Exhibit 40, correct?
 5 A Yes.
 6 Q So looking at Exhibit 53, it's an
 7 email from you to Mr. Dillman dated November 8,
 8 2017. And Mr. Dillman is a broker at Long Leaf,
 9 right?
 10 A Yes.
 11 Q So you say, "Yo, not trying to be
 12 a dick, but I need you to hit your demo sets.
 13 I'll pull you aside as an individual later."
 14 Did you write that?
 15 A Yes.
 16 Q So was that your responsibility,
 17 to make sure that the brokers were hitting their
 18 demo sets?
 19 A Not -- yes and no. So they had a board
 20 that reflected their daily production. And if they
 21 hit it, they hit it. If they didn't, they didn't.
 22 It wasn't a hard criteria, but that's what Jim would
 23 push on me, to make sure that they hit them.
 24 Q All right. And how would you make sure

Page 242

1 that the brokers hit their goals?
 2 A It would be reflected on that board.
 3 Q Yeah. But what did you do to make sure
 4 that these guys did their job?
 5 A Nothing.
 6 Q Well, it sounds like you pulled Mr. Dillman
 7 aside, right?
 8 A Yeah. Well, I pulled him aside and asked
 9 him what he was struggling with.
 10 Q What did he tell you?
 11 A I'm just having a hard time getting through
 12 the script.
 13 Q Did you give him tips for how to get
 14 through the script?
 15 A Yeah.
 16 Q What did you tell him?
 17 A I just said try to memorize the
 18 script as much as you can so when you get through
 19 the script, it sounds natural. It doesn't sound
 20 scripted. It doesn't sound like your reading from
 21 a piece of paper.
 22 MS. STREIT: Did he say why he had trouble
 23 getting through it?
 24 THE WITNESS: He just said it was something

Page 243

1 new to him.
 2 (Whereupon CFTC Exhibit No. 54 was
 3 marked for identification, MM.)
 4 BY MR. BURDEN:
 5 Q I want to hand you what we've marked
 6 as CFTC Exhibit 54. And can you tell me if you
 7 recognize this document, please.
 8 A Yes.
 9 Q Can you tell me what it is?
 10 A It's the criteria that Jim Donelson
 11 gave to everybody that hit their 200 calls and three
 12 demo sets, and he told me to sit them all down and
 13 talk to them and make sure that they can do what
 14 they're expected to do.
 15 Q All right. So Exhibit 54 is an email
 16 from you to Mr. Donelson dated July 7, 2018 and
 17 you say, "I told them this a.m. that because the
 18 call court" -- I think it's supposed to say count?
 19 A Count, right.
 20 Q -- "only hit 200 once this week, that
 21 they need 200 calls, three sets. Don't leave until
 22 their numbers are hit. I told them it's Friday and
 23 dials will be tough, but because of lack of effort
 24 this week, that they put themselves in this

Page 244

1 position," and Mr. Donelson writes, "Agreed."
 2 So did you write that email?
 3 A Yes.
 4 Q All right. So it looks here like
 5 you were in charge of making sure that the other
 6 brokers hit their numbers, is that right?
 7 A More or less. But, I mean, it wasn't
 8 like if they didn't hit their numbers, they would
 9 be fired.
 10 Q How did you make sure that the brokers
 11 hit their numbers?
 12 A It was all on the board.
 13 Q Yeah, but what did you do? Guys were
 14 falling behind, as reflected in the --
 15 A Right. So that's the only thing I would
 16 tell them, just make sure you hit your numbers.
 17 Q You didn't do anything special?
 18 A No.
 19 Q Did it work? Did they hit their numbers?
 20 A No.
 21 Q Was there anybody else in the office
 22 who was charged with -- is it fair to say you were
 23 supervising these brokers?
 24 A Supervising is a very loose term,

<p style="text-align: right;">Page 245</p> <p>1 but I guess I was in the office to make sure that 2 they did what they were supposed to do. 3 Q That sounds like supervising to me, 4 doesn't it? 5 A I guess. But, I mean, I couldn't 6 control what they did. You know, you tell them 7 to hit their numbers. If they did, they did. If 8 they didn't, they didn't. It wasn't like I would 9 sit there and scream and yell at them. I mean, they 10 were adults. 11 Q Were there other people at Long Leaf 12 other than Mr. Donelson who were in charge of making 13 sure the brokers did what they were supposed to do? 14 A Yes. 15 Q Who was that? 16 A Brian Adams was there. He was the 17 initial guy to be the compliance officer, supervisor 18 and all that, which didn't make any sense to me 19 either, but that's what his role was. 20 Q So I want to come back to that. But 21 other than Mr. Adams, were there any other persons 22 tasked with making sure the brokers did what they 23 were supposed to do? 24 A Later on Jim's wife came in and she was</p>	<p style="text-align: right;">Page 247</p> <p>1 A Just heard it through the grapevine. 2 Q Do you know if he was terminated? 3 A I do not know. 4 Q Was Mr. Adams a broker? 5 A I think he started as a broker. 6 Q What was he doing when you were there? 7 A He was supposed to be the compliance 8 guy, and then he was also running applications for 9 customers that wanted to potentially be a customer. 10 Q All right. Did Mr. Adams have any 11 other duties while you were at Long Leaf Trading? 12 A He was also a supervisor and he was a 13 little bit more aggressive than I thought he should 14 be, but it doesn't matter. 15 Q Did you kind of take over from Mr. Adams 16 as supervisor? 17 A Not in the application role or any of 18 that. It was just more of try to get these guys to 19 do what they're supposed to do. 20 Q When did Mr. Adams leave? 21 A I don't recall exactly. 22 Q What did Mr. Adams do to ensure compliance? 23 A I have no idea. Honestly, I don't know. 24 Q Did Mr. Adams ever misappropriate</p>
<p style="text-align: right;">Page 246</p> <p>1 starting to take over that role. 2 Q Anyone else? 3 A No. 4 Q So Mr. Adams, what was Brian Adams' role 5 at Long Leaf? 6 A Honestly, I don't know. I really have 7 no idea. I mean, he was there -- 8 Q Did you overlap? 9 A Yeah. 10 Q By how much? 11 A I'm not really sure. I mean, he was -- 12 I'm not really sure. He was there with -- I believe 13 he was there with Tim. 14 Q Oh, so he was there a long time? 15 A He was there, yeah, for a while. 16 Q Was he there when you left? 17 A He was not there when I left. 18 Q Where did he go? 19 A He had personal issues and never came 20 back one day. 21 Q Were they personal issues that -- well, 22 what are you aware of? 23 A Drugs. 24 Q How did you become aware of that?</p>	<p style="text-align: right;">Page 248</p> <p>1 money from customer accounts, to your knowledge? 2 A Not to my knowledge. 3 Q Prosper Trading Academy, did they 4 recommend any particular clearing firms or FCMs 5 or other institutions to its clients or customers? 6 A Not to my knowledge. 7 Q What did you do over there, if you would, 8 please. 9 A I would be on just a regular trading -- or 10 sales desk and just get guys to see the presentation 11 that they had. 12 Q And how would you characterize Prosper 13 Trading Academy's business? 14 A An education firm. 15 Q Did they recommend trades for customers? 16 A Yes, they have a live trading room. 17 Q So how do they do that? 18 A The live trader would call out 19 recommendations throughout the day, and it was 20 up to the individual to choose to take them or not 21 take them. 22 Q Any other forms of trade recommendations 23 provided by Prosper Trading Academy? 24 A Not that I'm aware of. I mean,</p>

<p style="text-align: right;">Page 249</p> <p>1 it was all live and they would send -- after the 2 email was recommended, they would send the emails 3 with the recommendation. 4 Q Did you come up with those recommendations? 5 A No. 6 Q Were they just in equities or were 7 they -- what I should ask is were Prosper Trading 8 Academy's recommendations for trades in commodities 9 or futures or options? 10 A No. 11 Q What were they? 12 A Equities. 13 Q So just stocks? 14 A Stocks, penny stocks. They did do futures, 15 but they stopped. 16 Q When did they stop? 17 A I don't remember. I don't recall. 18 Q Was it before you joined? 19 A No. It was while I was there, but it 20 was never options. It was just straight futures. 21 Q Do you know if they ever referred 22 customers to a particular clearing firm or FCM? 23 A I was told never to do that, so I don't 24 know if they did or didn't.</p>	<p style="text-align: right;">Page 251</p> <p>1 than anything I've ever seen. They have the 2 compliance. They have a compliance guy in the 3 office. They have, you know, Straits Financial is 4 who they clear and everything is completely worked 5 over and it's, yeah, it's completely different than 6 anything I've ever experienced. 7 Q Is there anything that you think we 8 ought to know about Walsh Trading? 9 A Not as far as I'm aware of. I mean, 10 I have nothing but good things to say about them. 11 MR. BURDEN: All right. Well, I'll tell 12 you what. Why don't we go off the record. I 13 think we might be done with you, but I want to 14 confer with my colleagues. So if you would just 15 give us a few moments, and we'll call you back 16 in maybe five or ten minutes. 17 (Whereupon a recess was taken from 18 4:30 p.m., to 4:38 p.m., after which 19 the following proceedings were had:) 20 MR. BURDEN: On the record, please. I 21 want the record to reflect that neither myself 22 nor any member of my team had any substantive 23 discussions with the witness during the break, 24 isn't that right?</p>
<p style="text-align: right;">Page 250</p> <p>1 Q Did you ever refer customers? 2 A No. 3 Q Did you ever hear anyone else refer 4 customers? 5 A No. 6 Q Anything else about Prosper Trading that 7 you think we ought to know? 8 A No. 9 Q Walsh Trading, I think you testified 10 that your clients there are hedgers, is that right? 11 A Right. It's a wide gamut of their client 12 base. It's commercial hedging, some speculators, 13 some self-directed, some system trading. 14 Q When you say system trading, what do you 15 mean by that? 16 A Automated trades. 17 Q Like algorithmic trading? 18 A Yeah. 19 Q Does Walsh Trading have sort of 20 a program of recommendations along the lines of 21 Time Means Money? 22 A No. 23 Q Is there any -- 24 A Walsh Trading is completely different</p>	<p style="text-align: right;">Page 252</p> <p>1 THE WITNESS: Yes. 2 MR. BURDEN: All right. Mr. Gecas, 3 we have no further questions at this time. 4 We may, however, call you again to testify in 5 this investigation. Should this be necessary, 6 we will contact you directly. Mr. Gecas, is 7 there anything you wish to clarify or add to 8 the statements you've made today? 9 THE WITNESS: No. 10 MR. BURDEN: All right. We're off the 11 record. 12 WHICH WERE ALL THE PROCEEDINGS 13 HAD OR OFFERED AT SAID HEARING 14 OF THE ABOVE-ENTITLED CAUSE. 15 16 17 18 19 20 21 22 23 24</p>

1 STATE OF ILLINOIS)
2) SS.
3 COUNTY OF C O O K)
4 I, MARY MASLOWSKI, CSR, do hereby
5 certify that I reported in shorthand the proceedings
6 had at the examination under oath aforesaid, and
7 that the foregoing is a true, complete and accurate
8 transcript of the proceedings at said examination
9 under oath as appears from the stenographic notes so
10 taken and transcribed on the 26th day of August,
11 2019.

12
13
14
15 Certified Shorthand Reporter
16
17
18
19
20
21
22
23
24